Alberta

Freedom To Create. Spirit To Achieve.

Agriculture and Rural Development

Annual Report

2010 – 2011

Government of Alberta

Agriculture and Rural Development

Annual Report 2010 – 2011

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Preface

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Government Accountability Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 24 Ministries.

The annual report of the Government of Alberta contains Ministers' accountability statements, the consolidated financial statements of the Province and the *Measuring Up* report, which compares actual performance results to desired results set out in the government's strategic plan.

This annual report of the Ministry of Agriculture and Rural Development contains the Minister's accountability statement, the audited consolidated financial statements of the Ministry and a comparison of actual performance results to desired results set out in the Ministry business plan. This Ministry annual report also includes:

- **the financial statements of entities making up the Ministry including the Department of Agriculture and Rural Development, regulated funds, and provincial agencies for which the Minister is responsible,**
- **other financial information as required by the *Financial Administration Act* and *Government Accountability Act*, either as separate reports or as a part of the financial statements, to the extent that the Ministry has anything to report, and**
- **financial information relating to trust funds.**

Minister's Accountability Statement

The Ministry's annual report for the year ended March 31, 2011, was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as at June 10, 2011 with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.

[original signed by]

Jack Hayden
Minister of Agriculture and Rural Development

Message from the Minister

It has been another year full of both challenges and opportunities for the Ministry of Agriculture and Rural Development and we have much to be proud of in terms of our accomplishments.

Enhancing competitiveness and gaining market access continue to be top priorities. Working with our federal counterparts, we finalized the full suite of Growing Forward programs aimed at assisting the industry in becoming more profitable and competitive, retaining or capturing domestic and international market opportunities and being prepared to respond to emergencies and manage risk effectively.

The three-year Age-Verification Incentive Program was introduced in 2010 – 2011 recognizing that a critical mass of age-verified cattle is needed to meet foreign market import requirements and a growing domestic consumer and industry expectation. The program is a further investment in our age-verification efforts and in industry's long-term success.

We also continued to improve Alberta's traceability systems introducing two new programs to include the province's sheep and cervid industries.

We announced the creation of a 15-member Farm Safety Advisory Council, bringing government and industry together to work towards the shared goal of improved farm safety. Co-chaired by government and industry, the council will work on ways to reduce injuries on farms and ranches, advise the government on how to enhance farm safety education and training and develop an action plan on farm safety, addressing the needs identified by industry.

Agriculture Financial Services Corporation helped Alberta's beef producers manage price risk and uncertainty on cattle with the expansion of the Cattle Price Insurance Program (CPIP). CPIP-Calf was the third insurance program introduced within the suite of programs that includes fed and feeder cattle.

Alberta experienced more challenges again this year with extreme weather conditions. Along with our federal counterparts, we announced three AgriRecovery programs to provide assistance for producers. The first program, the Canada-Alberta Pasture Recovery Initiative, provided support to producers in central and northern Alberta who were impacted by dry conditions. Producers in southern Alberta impacted by excess moisture were provided assistance through the Canada-Alberta Excess Moisture Initiative.

The final program announced was the Canada-Alberta Feed Transportation Assistance Initiative, a feed and forage program to support livestock and forage producers with transportation costs to access feed for their breeding herds.

Alberta's agriculture and food sector is an important cornerstone of life in our province and our rural landscape plays a significant role in defining a province that is rooted in a long-standing, proud heritage of farming and ranching.

Our relationship with Alberta's rural communities is important to us and we continue to improve and build partnerships. We continued our commitment to being a supportive presence in rural communities through the Rural Connections: Community Broadband Infrastructure Pilot Program and the Rural Community Adaptation Grant Program. The $24 million in funding for both programs for the last three years was made available through the National Community Development Trust.

Our focus on protecting the environment was also a priority. We announced the Emerging Environmental Market Opportunities initiative to help develop agriculture greenhouse gas offset protocols and enhance existing ones. This will allow producers to generate farm revenue while reducing greenhouse gas emissions and their environmental footprint. With this shared federal-provincial investment of $5.8 million, this initiative will promote awareness and sustainability in Alberta's agriculture industry.

A successful future for our agriculture industry and rural Alberta is defined by a commitment that strives for prosperity and economic success, while balancing the need to protect our environment, inspire public confidence and use resources in a responsible and accountable fashion. It is this commitment that frames our priorities as we work toward an industry that is competitive and sustainable and rural communities that have the capacity to adapt and prosper.

Sincerely,

[original signed by]

Jack Hayden
Minister, Agriculture and Rural Development

Management's Responsibility for Reporting

The Ministry of Agriculture and Rural Development includes:

- *Department of Agriculture and Rural Development*
- *Agriculture Financial Services Corporation*
- *Alberta Grains Council*
- *Office of the Farmers' Advocate of Alberta*
- *Irrigation Council*
- *Agricultural Products Marketing Council*
- *Alberta Livestock and Meat Agency Ltd.*

The executives of the individual entities within the Ministry have the primary responsibility and accountability for the respective entities. Collectively, the executives ensure the Ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and strategic plan, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the Ministry rests with the Minister of Agriculture and Rural Development. Under the direction of the Minister, I oversee the preparation of the Ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgments. The consolidated financial statements are prepared in accordance with Canadian public sector accounting standards. The performance measures are prepared in accordance with the following criteria:

- Reliability – Information agrees with the underlying data and the sources used to prepare it.
- Understandability and Comparability – Current results are presented clearly in accordance with the stated methodology and are comparable with previous results.
- Completeness – Performance measures and targets match those included in Budget 2010.

As Deputy Minister, in addition to program responsibilities, I am responsible for the Ministry's financial administration and reporting functions. The Ministry maintains systems of financial management and internal control which give consideration to costs, benefits and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money;
- provide information to manage and report on performance;
- safeguard the assets and properties of the Province under Ministry administration;
- provide Executive Council, the President of Treasury Board, the Minister of Finance and Enterprise and the Minister of Agriculture and Rural Development information needed to fulfill their responsibilities; and
- facilitate preparation of Ministry business plans and annual reports required under the *Government Accountability Act*.

In fulfilling my responsibilities for the Ministry, I have relied, as necessary, on the executives of the individual entities within the Ministry.

[original signed by]

John Knapp
Deputy Minister of Agriculture and Rural Development
June 10, 2011

Results Analysis — Ministry Overview

The Ministry

The Ministry works with industry and stakeholders to facilitate growth, build a stronger Alberta and improve Albertans' quality of life. The primary focus of Agriculture and Rural Development is on Government of Alberta goal 1: Alberta will have a prosperous economy. The Ministry achieves this by working with others to promote prosperity for Alberta through a strong, competitive, sustainable agriculture and food industry and vibrant rural communities.

Ministry Core Businesses

- Facilitate a market-driven, environmentally responsible industry
- Food safety, plant health and animal health and welfare
- Rural development

Agencies, Boards & Commissions

- Agricultural Products Marketing Council
- Alberta Grains Council
- Agriculture Financial Services Corporation
- Office of the Farmers' Advocate of Alberta
- Irrigation Council
- Alberta Livestock and Meat Agency Ltd.

The Department

The Department, comprised of three sectors, is responsible for creating the policy and legislative environment and delivering programs that support a competitive and market-driven agriculture industry, safe and secure food products and production practices, environmental stewardship and vibrant rural communities. In addition to the three sectors the following three divisions support the Ministry's mandate:

- Human Resource and Facilities Management Services
- Financial and Business Planning Services
- Communications

Industry Development and Food Safety Sector

- Traceability
- Food Safety and Animal Health
- Research and Innovation
- Food Processing
- Rural Extension and Industry Development

Policy and Environment Sector

- Policy, Strategy and Intergovernmental Affairs
- Irrigation and Farm Water
- Economics and Competitiveness
- Environmental Stewardship

Rural, Regulatory, Information and Technology Sector

- Rural Development
- Rural Utilities
- Regulatory Services
- Information Management
- Information Technology Services

Industry Development and Food Safety Sector

The Industry Development and Food Safety Sector focuses on the development and growth of agriculture and food businesses in Alberta through value-added processing development, business development, applied research and technology transfer. The sector supports businesses by identifying new opportunities; supporting innovation; focusing on growth and diversification of Alberta's agri-processing industry; and developing market opportunities and solutions industry needs to succeed. Business development services also include agriculture educational training, leadership, food processing development, and grant programs, as well as front-line client contact services for industry clients through the Ag-Info Centre and field offices. The sector also manages the 4-H, Farm Safety, Green Certificate, Farmers' Market and Agricultural Service Board programs.

The sector also assists industry to enhance sustainability through the production of safe food and increased public confidence in the safety of food products. This involves working towards implementing a traceability system that promotes both food safety assurance and animal health status and working with industry and other levels of government to encourage the adoption of food safety practices.

Policy and Environment Sector

The Policy and Environment Sector continues the liberalization of agricultural trade through policy direction and multilateral, regional and bilateral agreements, ensuring that legislative frameworks enable innovation and growth. This involves focusing on industry, social and economic trend analysis; strategic planning; policy development; market and competitive intelligence; and international relations.

Additionally, public awareness and pressure for the effective management of air, land and water resources are increasing. The sector continues to work with partners within industry and across government to address these pressures and explore environmentally responsive solutions that create a competitive advantage through the development and implementation of agricultural practices and systems that manage environmental risks, improve efficiencies and meet consumer and public expectations. This also involves ensuring that good quality surface and ground water supplies meet current and future agriculture needs, management practices meet acceptable water quality guidelines and management systems assist livestock and crop producers to deal with excess rainfall and drought conditions.

Rural, Regulatory, Information and Technology Sector

The Rural, Regulatory, Information and Technology Sector continues to work with other ministries and partners to ensure that rural policy reflects the importance of self determination as rural Albertans shape their futures, recognizing that rural communities must build their capacity to act and advance their projects and initiatives to be sustainable. The sector administers legislation that provides the framework for the establishment and management of business affairs for rural gas, electric and water associations in the province; and, that governs the establishment of franchise areas and standards setting relating to the design, construction, operation, maintenance, quality assurance and plant record-keeping for rural gas utilities.

The sector is also responsible for validating the safe production of meat and meat products through provincially-licensed meat facilities, as well as ensuring compliance with assigned legislation and ensuring consistency and co-ordination through investigation and enforcement activities as required. Additionally, the sector works with industry on prevention, preparedness, response and recovery to emergencies and other challenges related to plant and animal disease.

Agencies, Boards & Commissions

The **Agriculture Financial Services Corporation (AFSC)** provides a wide variety of risk management products and financial services to fit the business needs of farmers, the agriculture industry and small businesses in Alberta.

The Corporation provides insurance products to mitigate risks related to crop production, including hay and pasture, and offers waterfowl and wildlife damage compensation to help Alberta farmers protect against production losses on their farms. AFSC delivers the Federal/Provincial AgriStability Program, a whole-farm program that provides compensation for decline in farm margin relative to historical margin for eligible producers regardless of the commodities they produce. The Corporation offers agriculture financial services such as farm loans and guarantees for new and expanding farm businesses and financing for those facing disastrous reductions in farm production or income; and, provides and facilitates sourcing of financing for companies in the agri-food and value-added industry, as well as the small business sector, with an emphasis on rural Alberta.

The **Agricultural Products Marketing Council** advises the Minister on matters related to the establishment, operation and management of the boards and commissions established under the *Marketing of Agricultural Products Act*.

The **Alberta Grains Council** advises the Minister on issues and trends in the grain industry, conducts on-going examination of all facets of the industry and provides an information service.

The **Irrigation Council** makes recommendations to the Minister on any matter under the *Irrigation Districts Act*, particularly on issues related to maintaining a strong, efficient and sustainable irrigation industry.

The **Office of the Farmers' Advocate of Alberta** provides the Minister with information on issues concerning rural Albertans and works closely with agricultural interest groups.

The **Alberta Livestock and Meat Agency Ltd.** acts as a catalyst to help transition Alberta's livestock and meat industry into competitiveness and sustainability and ensures effective implementation of programs, policies and initiatives directed at Alberta's livestock and meat industry.

The following website contains further information about Ministry programs and services: www.agriculture.alberta.ca. The Ag-Info Centre is also available for further information by calling toll-free in Alberta 310-FARM (3276).

Review Engagement Report

To the Members of the Legislative Assembly

I have reviewed the performance measures identified as "Reviewed by Auditor General" included in the *Ministry of Agriculture and Rural Development's 2010 – 11 Annual Report*. These performance measures are the responsibility of the Ministry and are prepared based on the following criteria:

- Reliability – Information agrees with the underlying data and with sources used to prepare it.
- Understandability and Comparability – Current results are presented clearly in accordance with the stated methodology and are comparable with previous results.
- Completeness – Performance measures and targets match those included in Budget 2010.

My review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of enquiry, analytical procedures and discussion related to information supplied to my Office by the Ministry. My review was not designed to provide assurance on the relevance of these performance measures.

A review does not constitute an audit and, consequently, I do not express an audit opinion on these performance measures.

Based on my review, nothing has come to my attention that causes me to believe that the "Reviewed by Auditor General" performance measures in the Ministry's 2010 - 11 Annual Report are not, in all material respects, presented in accordance with the criteria of reliability, understandability, comparability, and completeness as described above. However, my review was not designed to provide assurance on the relevance of these performance measures.

[Original signed by Merwan N. Saher, CA]

Auditor General

June 9, 2011

Edmonton, Alberta

Results Analysis

Performance Measures Summary Table

CORE BUSINESSES/GOALS/PERFORMANCE MEASURE(S)	PRIOR YEARS' RESULTS			TARGET	CURRENT ACTUAL	
CORE BUSINESS ONE: FACILITATE A MARKET-DRIVEN, ENVIRONMENTALLY RESPONSIBLE INDUSTRY						
GOAL 1: A COMPETITIVE SELF-RELIANT INDUSTRY						
1.a: Number of value-added products developed and successfully introduced to market with assistance from Agriculture and Rural Development	69 2007 – 2008	75 2008 – 2009	71 2009 – 2010	60	90 2010 – 2011	
1.b*: Research and development investment by collaborators leveraged through Ministry resources ($ million)	6.9 2007 – 2008	6.2 2008 – 2009	11.1 2009 – 2010	7.0	7.4 2010 – 2011	Reviewed by Auditor General
1.c: Total leveraged investment in agri-industry businesses (farm business and agri-business) facilitated by Agriculture Financial Services Corporation lending services ($ million)[1]	318 2007 – 2008	293 2008 – 2009	462 2009 – 2010	305	488 2010 – 2011	
1.d: Percentage of agricultural business managers surveyed indicating the use of risk management tools for improved decision-making	n/a[2] 2007 – 2008	28% 2008 – 2009	n/a[2] 2009 – 2010	n/a[2]	n/a[2] 2010 – 2011	
1.e*: Percentage of eligible seeded acres for major crop categories insured under AgriInsurance/Production Insurance:						
▪ Annual crops	67%	68%	71%	67%	73%	Reviewed by Auditor General
▪ Perennial crops	22% 2007	24% 2008	24% 2009	22%	28% 2010	
1.f: Percentage of Alberta farm cash receipts represented by Alberta participants in AgriStability Program	74% 2006	79% 2007	76% 2008	75%	81% 2009	
GOAL 2: ENVIRONMENTAL STEWARDSHIP						
2.a: Average percentage of improved environmentally sustainable agriculture practices adopted by producers	56% 2007 – 2008	n/a[3] 2008 – 2009	58% 2009 – 2010	n/a[3]	n/a[3] 2010 – 2011	
CORE BUSINESS TWO: FOOD SAFETY, PLANT HEALTH AND ANIMAL HEALTH AND WELFARE						
GOAL 3: FARMED ANIMAL HEALTH AND WELFARE, PLANT HEALTH, SAFE FOOD PRODUCTS AND LEGISLATIVE COMPLIANCE						
3.a: Percentage of Alberta licensed meat processing facilities that have added a preventative system to their existing food safety system; Meat Facility Standard	n/a[4] 2007	n/a[4] 2008	n/a[4] 2009	50%	86% 2010	
3.b: Number of Alberta food processing facilities participating in the Alberta Hazard Analysis Critical Control Points (HACCP)[5] Advantage Program	148 2007 – 2008	104[6] 2008 – 2009	50 2009 – 2010	33	53 2010 – 2011	
CORE BUSINESS THREE: RURAL DEVELOPMENT						
GOAL 4: A VIBRANT, RESILIENT AND SUSTAINABLE RURAL ALBERTA						
4.a*: Total leveraged investment in rural businesses facilitated through Agriculture Financial Services Corporation lending services ($ million)[1]	372 2007 – 2008	399 2008 – 2009	565 2009 – 2010	385	640 2010 – 2011	Reviewed by Auditor General
4.b: Percentage of Ministry-supported, agricultural-related community activities that focus on leadership development	31% 2007 – 2008	33% 2008 – 2009	31% 2009 – 2010	31%	33% 2010 – 2011	
4.c: Percentage of rural youth and adults participating in Ministry-supported programs that report effective learning from those programs	n/a[7] 2007 – 2008	n/a[7] 2008 – 2009	n/a[7] 2009 – 2010	90%	95% 2010 – 2011	

*** Indicates Performance Measures that have been reviewed by the Office of the Auditor General.** The performance measures indicated with an asterisk were selected for review by Ministry management based on the following criteria established by government:

1. Enduring measures that best represent the goal and mandated initiatives
2. Measures for which new data is available
3. Measures that have well established methodology

[1] Values reported for investments are a proxy measure based on loans approved. Not all approved loans are disbursed, and in some cases, there may be timing differences between approval and disbursement of loans.

[2] Target and results are not applicable as the survey is completed every three years. The next survey will be completed in 2011 – 2012.

[3] Target and results are not applicable as the survey is completed every two years. The next survey will be completed in 2011 – 2012.

[4] The results were determined using a different criterion than that used to calculate the result for 2010 – 2011. As such, the results from prior years are not directly comparable to the 2010 – 2011 result.

[5] HACCP is an acronym, which means Hazard Analysis Critical Control Point. HACCP is a system which identifies, evaluates, and controls hazards, which are significant for food safety.

[6] The result of 104 for 2008 – 2009 was misreported as 52 in the 2010 – 2013 Agriculture and Rural Development Business Plan. The result of 104 for 2008 – 2009 was reported accurately in the 2009 – 2010 Agriculture and Rural Development Annual Report.

[7] The result for 2009 – 2010 was determined using a different sampling technique than that used to calculate the results for prior years. The sampling process has been changed to a rotating sampling method, a procedure in which a proportion of the initial survey sample is dropped from each subsequent evaluation wave and replaced with a new sample of equal size. All results from prior years are reported as not applicable.

Please refer to pages 35 – 42 of the 2010 – 2011 Annual Report for further information on performance measures methodology including data sources and limitations.

Results Analysis — Discussion and Analysis of Results

Core Business 1 - Facilitate a market-driven, environmentally responsible industry

GOAL 1

A COMPETITIVE SELF-RELIANT INDUSTRY

Alberta Livestock and Meat Strategy...

Increasing worker recruitment, retention and productivity...

Managing risk...

Extension programs and services...

Research, technology and physical infrastructure...

Trade and transition strategies...

Policy...

Market Access...

Growing Forward...

Alberta's agriculture, agri-food and agri-based industry continues to operate in a global business environment where technological advancements, lower labour costs in emerging economies and rapidly changing consumer demands are creating new opportunities while at the same time increasing challenges to all market participants.

Building networks to support trade and market entry, continuing the liberalization of agricultural trade through policy direction and multilateral, regional and bilateral agreements and ensuring that legislative frameworks enable innovation and growth, continued to be significant priorities for the Ministry in the 2010 – 2011 fiscal year. Working with industry to implement programs and services aimed at increasing worker recruitment, retention and productivity were also key activities supporting industry competitiveness and self-reliance.

Additionally, assisting the agriculture industry to innovate and advance through collaboration with leading research and development organizations continues to be a key focus for the Ministry now and into the future. Research, development and commercialization contribute significantly to improving competitiveness, profitability and growth. Advances in science and innovation create opportunities for enhancing industry productivity and product offerings and further promote investment in Alberta's agriculture and food industry.

ON TARGET!

In 2010 – 2011, research and development investment by collaborators leveraged through Ministry resources totaled $7.4 million, exceeding the forecasted target of $7 million.

In 2010 – 2011 the Ministry continued to ensure Alberta's agriculture industry was represented at national and international policy tables to support the advancement of trade and market access. The growth and sustainability of Alberta's agriculture and agri-food sector depends on exports worth approximately $7.5 billion (2009). As part of Canada's New West Partnership (NWP), the Ministry undertook a mission to China and Japan in October 2010 and accomplished three main objectives: enhanced the profile of the NWP region and promoted its export-oriented agricultural sector; joined provincial and federal efforts on international trade advocacy activity; and, advanced Alberta-specific agri-food priorities and further developed existing and evolving industry and government relationships.

The Ministry also continues to represent Alberta's agricultural interests in the Canada-European Union (EU) trade negotiations. Currently, Alberta's main agriculture exports to the EU are wheat, horse meat, pulses and animal feed. Agriculture accounts for almost 20% (nearly $275 million) of Alberta's total exports to the EU.

Alberta's agriculture and food interests were also represented at a Canada/US trade forum in June 2010 hosted by the Canadian American Business Council (CABC), entitled *"What Ever Happened to the North American Market? Implications for Canada/US Relations."* Trade opportunities and a range of issues regarding Alberta's agriculture and agri-food interests were also discussed at the Western Association of State Departments of Agriculture in Montana, US, in July 2010.

In addition to ensuring Alberta's interests are represented at national and international policy tables, the Ministry continued to provide ongoing statistical information and economic reports to assist industry in making informed decisions, and produced the 2011 Agriculture Information Catalogue containing the latest information on the science, business and best practices of Alberta's multi-faceted agriculture industry.

Additionally, the Alberta Grains Council re-launched its "Choice Matters" website, providing information grain producers need to make informed decisions about the future of the grain marketing system in Alberta. Choice Matters provides a wide variety of information for farmers and industry, including wheat and barley pricing, studies on alternative marketing systems and trade implications. The website has been redesigned and provides up-to-date information and links in one location.

The Ministry, in partnership with the federal government, announced the *"New Products, New Markets"* initiative supported by the AgriFlexibility program. This shared four-year investment of more than $2.1 million from the Alberta government and Agriculture and Agri-Food Canada (AAFC) will deliver initiatives to facilitate trade relationships with priority markets and help expand international trade connections between Alberta's agri-food exporters; deliver customized, results-oriented service to Alberta exporters; and, enhance the global competitiveness of Alberta's agriculture industry.

Ministry staff also continue to participate on Alberta's Competitiveness Initiative through supporting the Grains and Oilseeds Task Team. The Task Team identified five major areas for investigation and developing recommendations: marketing choice, regulatory burden, funding for research and innovation, rural renewal and evolution of agricultural policy.

The Ministry also demonstrated its commitment to cultivating the Growing Forward objectives developed in partnership with AAFC through operationalizing the full suite of Growing Forward programs. In alignment with the Ministry's key priorities, programs are focused on the following key areas:

- Biosecurity
- Business Management Skills and Tools
- Energy Efficiency
- Entrepreneur Development
- Food Safety
- Leadership
- Lean Manufacturing and Automation
- Livestock Welfare
- Product and Market Development
- Stewardship Plans
- Traceability
- Water Management

DID YOU KNOW

In the 2010 – 2011 fiscal year approximately $33 million in funding was dedicating to Growing Forward programs.

A key core outcome for Growing Forward is to support industry's ability to manage risk effectively. Risk is inherent at the individual business, supply chain and broader industry levels and can positively or negatively impact the overall performance and growth of the agriculture sector. The suite of Growing Forward Business Risk Management (BRM) programs delivered by Agriculture Financial Services Corporation (AFSC). These programs work together by providing protection for different types of losses and increased cash flow options. Alberta's crop insurance programs, offered through the AFSC are some of the best available in Canada.

ON TARGET!

The percentage of Alberta farm cash receipts represented by Alberta participants in the AgriStability program was 81% in 2010 – 2011, exceeding the target of 75%.

Producers continue to view production insurance (AgriInsurance) as an important risk management tool. It mitigates the effects of unstable production with 13.3 million acres and $3.1 billion in risk insured on annual crops and 8 million acres and $174.1 million in risk insured on perennial crops. In 2010 – 2011 production insurance claims for annual crops (including hail endorsement and Spring Price Endorsement) totaled $332.8 million, compared to the previous year's $486.1 million. Claims for perennial crops totaled $6.5 million in 2010 – 2011, down from $57.2 million the previous year due to abundant moisture throughout the growing season across most of the province.

ON TARGET!

The percentage of seeded acres for annual crops insured under AgriInsurance was 73% in 2010 – 2011, exceeding the target of 67%.

The percentage of seeded acres for perennial crops insured under AgriInsurance was 28% in 2010 – 2011, exceeding the target of 22%.

In May 2010, the Ministry announced assistance for Alberta producers with breeding animals who experienced delayed pasture development in the spring of 2010 due to the severe multi-year drought conditions. The 2010 Canada-Alberta Pasture Recovery Initiative (CAPRI) is an AgriRecovery program created in partnership between the Ministry and AAFC. Administered by AFSC, the program delivered over $67 million in assistance.

Additionally, the Ministry worked with AFSC and AAFC to provide AgriRecovery support to crop producers in southern and central Alberta that dealt with extraordinary losses as a result of excess moisture and flooding during the 2010 seeding season. Announced in July 2010, more than $17 million was provided to producers to help restore their cropland through the 2010 Canada-Alberta Excess Moisture Initiative (CAEMI).

In February 2011, the Ministry, along with the federal government, announced the Canada-Alberta Feed Transportation Assistance Initiative (CAFTAI) to provide support to producers in Alberta's Peace region. Up to $23.5 million in funding was delivered through this AgriRecovery program. Administered by AFSC, CAFTAI is cost-shared between the Government of Canada and the Government of Alberta. Under CAFTAI, livestock producers in the 12 eligible counties and municipal districts in the Peace region will receive variable payments based on the extra feed-related transportation costs within the June 1, 2010 – March 31, 2011 program period.

Despite reasonable growing-season precipitation across most of the province, the Ministry's Emergency Water Pumping Program (WPP) was called upon to support nearly 500 producers, many of them in the Peace region, with accessing emergency water supplies. In the spring of 2010 the WPP also assisted with the provincial response to flood conditions in the Cypress Hills area of southern Alberta.

Additionally, the Ministry launched the Peace River Water Hauling Program (PRWHP) to provide financial assistance for Peace River agriculture producers in the designated area toward the cost of hauling water for their farms for the period between January 1, 2010 to March 31, 2011. This includes water used for domestic, livestock, irrigation and crop spraying purposes.

Providing education to industry in managing their risk is also an important component of facilitating risk management practices in the industry. In partnership with Alberta Environment, Alberta Health and Wellness, Alberta Health Services, AAFC and a variety of municipalities, the Ministry delivered the "Working Well" program to almost 700 participants across the province. The Working Well program provides education to rural drinking-water well owners on the proper design, maintenance and operation of their well.

Additionally, over 1,900 primary producers and 700 farm advisors improved their risk management understanding and decision-making practices through the Ministry's development and delivery of information and tools on managing the farm business and associated risk. The Ministry also developed "Rancher's Return 2011", a spreadsheet template that calculates costs and expected financial returns for a cattle operation regardless of whether the business is cow-calf only, or is integrated with backgrounding, finishing or replacement heifer activities. The economic model provides a framework for ranchers to build a base scenario and then analyze that scenario with respect to different commodity prices or changes to production and management systems.

The Cattle Price Insurance Program (CPIP) has expanded to include three different cattle price insurance programs, recognizing that every type of beef operation faces price, basis and currency risk and that each producer is impacted differently based on the product being produced and marketed. Therefore, to provide adequate protection, each of the CPIP programs is designed to target a different segment of the beef industry. The CPIP-Calf program, announced in March 2011 by the Ministry in partnership with AFSC, is the newest CPIP program and provides beef producers with the ability to manage price risk. CPIP-Calf is designed for the cow-calf producer to purchase coverage from February to May each year, with policies expiring during the fall calf run from September to December. The CPIP-Fed program is designed to insure animals being finished and the CPIP-Feeder program is designed to insure animals over a wider range of weights that can be sold but are not ready for slaughter.

CPIP PROGRAMS

- CPIP-Calf
- CPIP-Fed
- CPIP-Feeder

The Ministry continues to work with the Alberta Livestock and Meat Agency Ltd. (ALMA) to drive change as it supports Alberta's livestock and meat industry through ideas, information and resources. The Livestock Feeding Initiative investment is underway to combat the largest production cost for Alberta's livestock and feed industries which will, in turn, increase the competitiveness of Alberta's largest renewable industry. The Livestock Feeding Initiative focuses on:

- more efficient use of feed grains through processing advancements;
- development of technologies that will more accurately identify key attributes, such as energy and protein in feed grain, and create equations that can more accurately estimate weight gain, allowing the value of feed grain to be properly determined by growers and feeders; and,

- investment in product development through increased funding for research in plant breeding dedicated to feed varieties.

Ministry staff also continue to conduct innovative research projects including a project to validate genetic markers of Residual Feed Intake (RFI), which is a measure of feed efficiency. The project is conducted using the Alberta-developed, high-tech GrowSafe System for monitoring individual animal feed intake. Low RFI cattle consume less feed without compromising growth and other economically important traits. In addition to reducing feed consumption, cattle with low RFI produce less methane and manure relative to high RFI cattle because they consume less feed. The genetic phenotyping research is being used to discover new genetic markers, improve existing ones and validate commercially available genetic marker panels and will speed the adoption of genetic improvements in feed efficiency in cattle and other livestock.

Additionally, ALMA provided over $34 million in grants in 2010 – 2011 to help Alberta agri-food businesses to explore new markets, create new products and use new technologies. For example:

- An investment of more than $7 million, with a total value of more than $50 million, for three large Alberta-based food companies that is targeted at maintaining beef processing capacity in Alberta, as well as a new value-added processing venture for the dairy industry that will return millions on an annual basis.
- Support for projects targeting consumer awareness and education to share the stories and successes of Alberta ventures and to help translate the vast amount of research results on health benefits of meat and livestock products for the nutrition community and consuming public.
- Facilitating information flow through the development of key technology platforms such as a feedlot information system to facilitate individual animal management and the creation of a virtual value chain that will provide critical information to value chain participants to make informed management decisions to improve competitiveness.
- A transformational voluntary pilot program to control, eliminate and eradicate Porcine Reproductive and Respiratory Syndrome (PRRS) in a pig-dense area of Alberta, affecting the ability of the pig industry to produce pork from PRRS-negative pigs and become a critical region to source PRRS-free pigs to trading partners; as well as research investment in vaccine development and genomic technologies to ease this and other devastating diseases in the pork sector.

The Ministry also helped two local businesses to diversify and grow their business through the Agrivalue Processing Business Incubator (APBI) program. The APBI, a multi-tenant food processing facility registered by the Canadian Food Inspection Agency (CFIA), is dedicated to assisting food processors in the scale-up and commercialization of new products and technologies leading to successful establishment of their own enterprises. Five of the fully-serviced processing suites have been leased to companies that are producing a variety of products including processed meat products, ready meals and functional ingredients from oats. Aliya's Foods Ltd. and Intercity Packers Ltd. utilized the facilities, programs and expertise of the Food Processing Development Centre (FPDC) and the APBI to develop new products and businesses, resulting in increased investment, employment and manufacturing capacity in the province.

Additionally, the Ministry's FPDC evaluated five new technologies, has 41 client-initiated developmental projects underway and led or assisted in 16 research projects related to value-added products. It also assisted Alberta companies in the development of 226 new products. Of these 226 new products, 39 were successfully introduced to the marketplace with assistance from the FPDC.

Focus on Relationships

Siwin Foods, Leduc, Alberta

"Siwin Foods is extremely happy to have partnered with the Agrivalue Processing Business Incubator. The centre offers start-up companies like ours a stepping-stone toward independence; combined with the vast experience the staff has to offer, the centre is truly exceptional. With the centre's help we have had great in-roads not only into the Canadian market but exposure to world markets as well."

Marek Gierus, Processing Operations Manager, ARD, Leduc, Alberta

"It's exciting to assist companies in the expansion and development of their products, and know that the ARD services provided contributed to their success in this province."

Access to capital for Alberta's agri-businesses and producers continues to be a key factor in positioning the agriculture industry as a competitive and innovative leader in Canada. Working with AFSC, the Ministry continues to support the development or expansion of agriculture, agri-businesses, value-added enterprises and commercial operations in Alberta. In 2010 – 2011 AFSC approved 1,389 loans totaling $282 million under the Alberta Farm Loan Program (AFLP), supporting total investment of $335 million. Additionally, AFSC approved 82 loans totaling $53 million under the Value-added and Agribusiness Program (VAAP), supporting total investment of $220 million. Another 178 loans and guarantees totaling over $70 million and five capital sourcing projects were approved by AFSC in 2010 – 2011, supporting total investment of $174 million to support various commercial enterprises in the province of Alberta.

ON TARGET!

The total leveraged investment in agri-industry businesses (farm business and agri-business) facilitated by AFSC lending services was $488 million, exceeding the forecasted target of $305 million.

The Ministry also commenced the 2010 – 2013 three-year Workforce Strategy to address workforce issues specific to food production and processing. The Ministry developed and delivered a suite of retention, recruitment and productivity programs and services. Services were further leveraged by key partnerships with ALMA, Alberta Milk, Alberta Finance and Enterprise, Alberta Pork, Canadian Manufacturers and Exporters, Alberta Employment and Immigration, and federal counterparts. Ministry staff and partners act as advisors and agri-industry advocates for provincial workforce policy development with Alberta Employment and Immigration and provincial productivity program development with Alberta Finance and Enterprise.

Additionally, the Workforce Development Grant Program was expanded to add retention training support to the established recruitment and productivity grants to further meet the needs of industry. In the 2010 – 2011 fiscal year, one company received training assistance for plant supervisors, two industry associations were

supported with foreign recruitment travel grants and 16 companies accessed a productivity assessment. Twelve companies went on to apply for productivity improvement expert assistance. Companies that complete these programs progress further in automation and lean manufacturing adaptations through the Growing Forward Automation and Lean Manufacturing grant program.

Recruitment projects addressed complexities of sourcing and blending foreign workers in a plant environment. Companies are coached to adhere to provincial and federal regulations and policies to assist in addressing challenges such as tighter review processes for obtaining a Labour Market Opinion.

In accordance with the Ministry's agreement with Alberta Employment and Immigration, 511 temporary foreign workers were prescreened for the Alberta Immigrant Nominee Program (AINP), with 453 applicants meeting AINP eligibility requirements.

Growing Forward funding supported the second year of the Productivity Improvement Project that developed a range of initiatives to educate and support both producers and processors. The project collaborated with partners to deliver four productivity workshops with approximately 100 industry leaders attending. Fourteen participants from eight of Alberta's processing companies participated in an agri-food productivity best practices mission to Ontario. An electronic learning resource and a website were developed to provide a "one-stop access" for productivity resources, opportunities and events. Participation and demand for productivity projects increased in 2010 as companies realized immediate and practical cost savings that laid the foundation for future productivity increases.

Ministry staff continued to build extension capacity in the Department in 2010 – 2011 through delivering Extension 101, Communication Tools, Facilitation Skills, High Impact Training and Proactive People Skills workshops, highlighting "Extension Innovators" in the internal AgKnowledge newsletter, monthly communiqués and holding the first ever Extension Week series of workshops and training sessions. Extension Week, from November 1 – 5, 2010, provided several sessions and topic areas for Ministry staff to connect with clients and stakeholders in effective and meaningful ways. Sessions included facilitation skills, social media as a tool for collaboration and communication and needs assessments to achieve program success by understanding industry needs.

ON TARGET!

90 value-added products were developed and successfully introduced to market with assistance from all divisions within Agriculture and Rural Development, exceeding the forecasted target of 60.

The Ministry also approved 12 new communities under the Alberta Farmers' Market Program, providing additional marketing outlets for local market producers. There are now 112 approved farmers' markets in Alberta, up from 104 from the start of the 2010 fiscal year (7.7% growth). Year-round markets have increased by 26.7% from 2009 (from 15 to 19). Multi-day markets have increased by 66.7% since 2009 (from 6 to 9).

DID YOU KNOW

As a result of Ministry staff providing coaching to Alberta producers and processors on organic milk production, Alberta organic milk is now a new product on Safeway store shelves across western Canada.

Focus on Relationships

Tim Dietzler, Agricultural Fieldman, Rocky View, Alberta

"On behalf of Rocky View, Mountain View and Wheatland counties, I want to thank all of you for your expertise, energy, attitude, contacts and organizational skills as we partnered on the Explore and Expand Local Foods workshops in our area. The presenters you chose and the presentations you did yourselves provided much enthusiasm and interest in local food and marketing, which is so important right now to our producers. It was such a pleasure to work together with your group at Alberta Agriculture, in a spirit of collaboration and partnership, the likes of which I personally haven't seen since the mid-1990's."

Eileen Kotowich, Farmers' Market Specialist, ARD, Vermilion, Alberta

"The Explore Local Initiative recognizes the importance of collaborating with local industry groups when offering our extension events. All the partners brought different expertise, connections and networks to this project, allowing us to connect with and deliver resources local market producers need to succeed. As a direct result of these events, future events are being planned with these partners that will meet the needs of the industry and will facilitate the development of a sustainable local market industry in Alberta."

The Ministry's Alberta Biomaterials Development Centre (ABDC) produced a number of innovative products in 2010 – 2011 through continuing to connect Alberta agricultural producers and manufacturers and assist them in moving products forward to commercialization. Alberta companies such as Tekle Technical Services and ATI-Composites Inc. both developed bio-materials that are pushing the green product envelope in Alberta. The Ministry also entered into an agreement with Nano-Green Research Inc. and Alberta Innovates Technology Futures to aid in the development and commercialization of R3TM Technology, a process for "Renewable Residuals Refining". The R3TM Technology will produce high-value products using residual straw from flax and grains, wild grasses, forestry and logging wastes and other biomass. The benefits of R3TM Technology also include economic development for rural communities. The R3TM process will rely on feedstock resources from local areas providing new sources of revenue for farmers and/or forest producers and the technology's development will provide long-term, high quality and sustainable employment opportunities in these rural communities.

The ABDC also commissioned its biofibre pilot plant in Vegreville in January 2011. The ABDC biofibre pilot plant is the largest of its kind in the world and is attracting interest from companies around the world to consider investing commercially in Alberta. These companies include Schweitzer Mauduit, the largest flax fibre processor in the world; and Hemp Technologies, a leading innovator in next generation building products from the United Kingdom.

The Ministry's Specialty Cosmetic Ingredient (SCI) Initiative continued to build momentum acting as a catalyst for development of a globally competitive plant-based cosmetics and personal care ingredient industry in Alberta. The SCI team organized and hosted the "Cosmetic Industry Connects (CIC) 2010 R&D/Business Forum" at Agri-Food Discovery Place in October 2010 to provide opportunities for business collaboration and partnership building within the Alberta research community and the cosmetics industry. This unique event provided the forum for 26 private business meetings between international industry buyers, Alberta commercial companies and academia and was attended by senior executives from two of the top global cosmetic and personal care ingredient companies, Lipo Chemicals Inc. and Aveda Corporation, as well as the Senior Research Manager from Organic Monitor Ltd. from the UK.

DID YOU KNOW

Ministry staff are starting a dynamic new diversification stream for the Alberta agricultural industry. The project "Alberta Coho Salmon Industry Development" is in motion and the fish are in early rearing phase for testing and future breeding stock.

Focus on Relationships

Dr. Stephen Greenberg, Senior Vice President, Lipo Chemicals, New Jersey, US

"In my 40 plus years in the cosmetic ingredient business I have never been to an event like the CIC Forum where government and academia work together to present industry information, business opportunities, research and novel technologies in such a targeted and focused way. The SCI Initiative and strategy is completely unique. I learned a lot and look forward to a return business trip to Alberta."

Kathy Lowther, Senior Development Officer, ARD, Airdrie, Alberta

"The SCI Team is seen by industry clients as having the expertise, value, networks and leadership to help move the plant-based cosmetic and personal care ingredient industry in Alberta forward. As a direct result of the CIC Forum, planning is underway for out-going and in-coming missions with researchers and companies who made substantial business connections at the CIC Forum."

DID YOU KNOW

Ministry staff presented Malt and Shochu barley opportunities to 90 Alberta producers and 43 industry partners at the joint Alberta Barley Commission/Alberta Canola Producers meeting in Lacombe.

The Ministry's Field Crop Development Centre (FCDC) is recognized as a world-class research facility that is focusing on producing new barley and triticale varieties, as well as maintaining a vast source of germplasm. Ministry researchers continue to focus on improved disease resistance, improved yield, superior feed and food quality characteristics, as well as nitrogen and water-use efficiency. The program has collaborative projects with research programs throughout the world including Washington State University, Oregon State University, University of California Davis, CIMMYT (Mexico and Kenya), ICARDA (Syria, Mexico and Ethiopia), Uruguay, Australia and researchers within Canada. This year, the program has also exchanged germplasm with Mexico, North Africa, Spain, Netherlands, Sweden, Finland and the US.

Currently the breeding program at Lacombe is involved with over 40 long-term projects in barley, triticale and winter wheat that bring almost $3 million in additional research dollars to the program. Despite the challenging weather conditions in 2010, 7,645 yield trial plots were grown and harvested and a further 19,282 individual row plots were planted for evaluation, selection and harvest. Over 20,000 lines were planted and evaluated for resistance to disease including scald, smut, net blotch, spot blotch, stripe rust, powdery mildew, rusts, Fusarium and root rot.

DID YOU KNOW

The Ministry's west central Alberta Triticale tour presented opportunities for triticale production to nine Alberta farmers. One producer seeded 70 acres of triticale swath grazing for his purebred cattle operation.

The FCDC has commercialized three varieties this year – Metzger (winter triticale), Taza (spring triticale) and Gadsby (2-row spring barley). These varieties will be available to farmers in the near future. At the recent registration meetings the FCDC received support for a winter wheat variety and a 6-row barley variety. These two new lines will be commercialized this year.

An effective regulatory framework enables a competitive, sustainable agriculture and food industry while safeguarding the public interest. The Agricultural Products Marketing Council (Council) works collaboratively with the 21 agricultural boards and commissions, operating under the *Marketing of Agricultural Products Act* (MAPA), to review and amend regulations which enable them to operate in an orderly manner and collect service charges from producers. Boards and commissions use service charges to develop and implement leading edge research, market development, on-farm food safety certification and food quality programs. In 2010 – 2011 council completed 23 regulatory amendments and initiated 27 regulatory amendments. Of significant importance was the amendment of the *Operation of Boards and Commissions Regulation* which gives boards and commissions greater flexibility in investment of retained earnings and also addresses small organizations' financial needs and challenges. Council, at the request of industry stakeholders, also completed the regulatory amendments to enable a $1 mandatory, nonrefundable national levy on beef and beef products to support the work of the Canadian Beef Cattle Research, Market Development and Promotion Agency for marketing beef products nationally and internationally.

GOAL 2

ENVIRONMENTAL STEWARDSHIP

Environmental improvement...

Innovation through targeted science and technology...

Adoption of best practices...

Continued collaboration focused on water conservation and stewardship of lands and resources...

Value added irrigation industry...

The Ministry recognizes its role in facilitating and encouraging the discovery, dissemination and adoption of agricultural best practices and innovative research that can improve productivity while protecting Alberta's natural environment. In 2010 – 2011 the Ministry continued its work with the agriculture industry to build on opportunities to realize the benefits associated with production systems that manage risks, address public concerns and improve efficiencies while stewarding Alberta's air, land and water.

The Ministry is committed to transferring knowledge and technology to help industry become more environmentally sustainable. In 2010 – 2011 the Environmental Farm Plan (EFP) program continued to be coordinated by the Ministry and delivered through the Alberta Environmentally Sustainable Agriculture (AESA) program partners. Over the last several years, the EFP process has significantly increased on-farm environmental awareness and helped producers identify risks for their farms.

Three stewardship programs were developed and delivered under Growing Forward in 2010 – 2011: Integrated Crop Management, Manure Management and Grazing and Winter Feeding Management. These stewardship programs received over 500 workplans and over 800 applications. Such plans and applications include implementing beneficial management practices such as double-walled fuel tanks to protect against fuel loss contaminating ground water; fencing of sensitive areas such as wetlands and creeks to protect surface water from direct livestock access; and installation of run-off control for livestock facilities that minimizes the potential for water contamination.

Additionally, through the AESA program more than $600,000 was given to nonprofit organizations and almost $1.5 million was given to other levels of government to support environmental programming in 2010 with outcomes that support the Alberta Water for Life and Climate Change Strategies and Growing Forward. The AESA program strives to enhance the adoption of environmentally sustainable practices by the agriculture sector and addresses a broad range of environmental issues of high priority for the agricultural industry in Alberta. In 2010 – 2011 AESA funding supported environmental programming within 46 municipalities and 13 agricultural organizations.

The Agricultural Service Board (ASB) and AESA grants were redesigned to enhance client training and administrative efficiencies and provide a one-window approach for municipalities applying for agricultural grants. This new ASB grant now includes a merit-based application process, which resulted in 57 ASBs being recommended to receive funding for environmental extension programming over the next three calendar years. Ministry staff are continuing to work with Alberta Municipal Affairs and Alberta municipalities to evaluate and make improvements to the new grant system.

The Ministry continued to provide pro-active strategic direction to the Land-use Framework (LUF) to ensure that agricultural perspectives, concerns and inputs were reflected in the outcomes and objectives of each regional plan. The Ministry provided key agricultural sector issues for consideration as input to the preplanning stages of the North Saskatchewan Regional Plan (RP), provided staff to second phase consultation on the Lower Athabasca RP and responded to the needs of the Regional Advisory Council of the South Saskatchewan RP.

The Ministry continues to staff and support the LUF Integration Team and Regional Planning Teams to ensure that the interests of the Ministry are reflected between plans, within plans and within the ministries. The Ministry also co-led the completion of Phase I of a policy to reduce the fragmentation and conversion of agricultural land by working to fill the gap in data necessary to assess the degree of agricultural land loss since 1996. Ministry staff represent the department on a number of cross-ministry teams involved in the development of strategies for cumulative effects management, efficient use of land and a number of other cross-ministry policy initiatives.

As part of the Agri-Environmental Partnership of Alberta (AEPA), Ministry staff continued to play a role in supporting the agriculture industry's active engagement with the Government of Alberta's agri-environmental policies relating to the LUF. In 2010, the AEPA worked towards increasing industry awareness and understanding of these policies, including water issues, to ensure the industry has a credible voice in policy development. Through a communication strategy, development of a land-use planning backgrounder, as well as hosting two workshops, the AEPA encouraged producers to engage in land-use planning processes to help ensure agriculture is able to operate in an economic, environmental and socially sustainable manner in the future. The AEPA also acted as a point of contact to provide agriculture feedback in various government and non-government consultation processes.

The Ministry also remains an active participant in a variety of actions under the Water for Life Strategy. Ministry staff continue to work with Alberta Environment and colleagues in other departments to assess the current water allocation system, its challenges and potential improvements. Additionally, the Ministry continues to work with other Government of Alberta ministries and interested parties toward the development of a provincial wetland policy. Ministry staff also actively participate in a number of Watershed Planning and Advisory Councils and are working with the state of watershed reporting and integrated watershed planning.

The Ministry initiated work in 2010 – 2011 in the rapidly emerging area of "green markets". Through a shared federal-provincial investment of $5.8 million funded by the AgriFlexibility fund, the Emerging Environmental Market Opportunities Initiative was established to help develop agriculture greenhouse gas offset protocols and enhance adoption of existing ones, as well as to determine environmental components of commodities to assist in developing new green markets. This will allow producers to generate farm revenue while reducing greenhouse gases and develop commodities with lower environmental footprints for new markets.

Ministry staff continued to work with partners to develop scientifically based carbon offset protocols, guidance materials and extension work to support the Alberta Greenhouse Gas Offset market. Ten agriculture protocols are now available for the carbon offset market and provide more opportunities for farmers and ranchers to participate.

DID YOU KNOW

In 2010 – 2011 Ministry staff delivered five carbon offset workshops to 100 producers explaining how to access the business opportunities of the carbon offset market.

The Ministry's On-Farm Energy Efficiency Program continues to evaluate and validate various energy efficiency technologies and uses information to form recommendations for future on-farm assessments, which are aligned directly to carbon credit offsets. In 2010 – 2011 the On-Farm Energy Efficiency Program provided grants through Growing Forward's "Energy Efficiency Construction Program" and "Energy Efficiency Retrofits Program". For new construction projects, the program financially assisted farmers to install high-efficiency equipment. Almost $900,000 in grants was disbursed to 41 projects, helping to install technology such as natural ventilation, premium efficiency motors, Energy Star boilers and furnaces,

and variable speed drives. For retrofit projects, the program financially assisted farmers to implement their own ideas for reducing their energy footprint. "Retrofits" started taking applications in October 2010 and paid over $250,000 in grants to 13 projects.

Focus on Relationships

James Hoetmer, Beekeeper, Hoetmer Honey Company Inc., Westlock, Alberta

"With the help of ARD Energy Specialists and the Growing Forward program, our honey company has been able to build a facility that meets high quality standards in both energy efficiency and food safety. The program has given us the opportunity to continue expanding our honey operations."

Jason Price, Energy Specialist, ARD, Edmonton, Alberta

"Working with forward thinking producers (like James) helped build a worthwhile relationship. We were able to contribute to his high efficiency project and at the same time, learn about his latest issues, concerns, and practices."

Ministry staff continued to explore and communicate energy efficient technologies and practices through case studies, demonstrations and data collection to determining savings and efficiencies. For example, an LED lighting case study involving instrumenting and monitoring a poultry barn was undertaken to determine the actual energy savings of LED lighting. A ventilation case study was also conducted involving instrumenting and monitoring a poultry barn to determine the actual energy savings of high-efficiency ventilation fans. In 2010 – 2011 Ministry staff collected baseline data on a range of new and/or improved lighting technologies. Baseline data was collected for radiant and forced-air heating to conduct a comparative evaluation of the two heating technologies to provide information on relative efficiencies. Ministry staff also continued monitoring a solar wall installed at a poultry operation to determine the actual energy savings.

In addition to managing 140 near real-time climate monitoring stations across the agricultural regions of Alberta, the Ministry, in partnership with AFSC, played a lead role in integrating most of the available meteorological data from Environment Canada, Agriculture and Agri-Food Canada (AAFC), Alberta Environment and Alberta Sustainable Resource Development into a single web accessible portal. The AgroClimatic Information Services (ACIS) portal acts as the province's data delivery system for providing free and open access to meteorological data from more than 270 stations across Alberta. This sophisticated and advanced quality control system is unprecedented anywhere else in Canada and directly supports government initiatives including the Climate Change Strategy and the Water for Life Strategy.

ACIS improves the province's ability to forecast floods, manage wildfires, forecast weather patterns, and support plans and emergency measures including the Alberta Drought Risk Management Plan. ACIS also allows forecasting and preparedness in terms of crop insurance and supports the work of the Alberta Emergency Management Agency. Additionally, Alberta veterinarians are using ACIS to increase their understanding of weather-related disease outbreaks.

Eighty-three applications were processed for $300,000 in grant payments in 2010 – 2011 for the Alberta Irrigation Efficiency Program, a three-year climate change project delivered by the Ministry on behalf of Alberta Environment under the Alberta Climate Change Strategy. The program is designed to assist Alberta's agricultural producers with the purchase of energy-efficient, low-pressure centre pivot irrigation (LPCP) equipment, or to upgrade existing high-pressure centre pivot irrigation

DID YOU KNOW

In 2010 – 2011, Ministry staff partnered with the University of Alberta on 2 weather stations: St. Albert Research and Kinsella Research; and, installed one more in the Peace Region and two in the Special Areas: Ballater AGCM, Cabin Lake and Youngstown.

DID YOU KNOW

The Irrigation Rehabilitation Program (IRP) began in 1969 and is a cost-shared program between Alberta Agriculture and Rural Development and Alberta's 13 irrigation districts. Since 1969 funding levels have varied between $600,000 and $33,400,000 per year.

IRRIGATION DISTRICTS IN ALBERTA

- Aetna
- Bow River
- Eastern
- Leavitt
- Lethbridge Northern
- Magrath
- Mountain View
- Raymond
- Ross Creek
- St. Mary River
- Taber
- United
- Western

DID YOU KNOW

The Clean Air Strategic Alliance is a non-profit consensus-based association of senior representatives from government, industry and non-government organizations (including health and environment groups), committed to developing and applying a comprehensive air quality management system for Alberta.

equipment to LPCP irrigation equipment to increase energy efficiency. Two hundred producers invested approximately $9.2 million in 239 irrigation system upgrades to qualify for nearly $700,000 in grant payments during this three-year program. Annual energy savings from these irrigation system upgrades are approximately 1.3 million kWh of electricity and 12,800 GJ of natural gas.

In 2010 – 2011 Ministry staff continued to partner with industry commodity groups, irrigation equipment dealers, and AAFC scientists at the Irrigation Development Centre in Lethbridge to facilitate applied research and develop technologies to enhance water conservation, efficiency, and productivity in support of a diversified and value-added irrigation industry. Improved irrigation management practices were promoted through training of industry consultants and producers, development of updated crop water use and irrigation management information, assessment of current irrigation management practices and enhancement of irrigation scheduling decision support tools and a related weather station network.

The Ministry also provided an annual grant of $24 million through the Irrigation Rehabilitation Program (IRP), to support irrigation district rehabilitation of district water conveyance infrastructure. This program has been effective at increasing water conservation and water distribution efficiency for all of Alberta's 13 irrigation districts.

Additionally, Ministry staff collected and analyzed irrigated cropping, on-farm irrigation system as well as irrigation district infrastructure data in support of irrigation industry development and economic diversity. The Alberta Irrigation Information Report was prepared by Ministry staff to provide a statistical overview of irrigation information and water management in Alberta.

Year four of the six-year "Nutrient Beneficial Management Practices Evaluation Project" was completed in 2010 – 2011 in partnership with the Alberta Crop Industry Development Fund and Alberta Environment to scientifically assess the effectiveness of Beneficial Management Practices (BMPs) in reducing agricultural impacts on water quality and the environment at the farm scale. The economic costs and benefits are also being assessed. Environmental and economic models continue to be developed to enable application of the results across Alberta's agricultural watersheds.

Through Growing Forward's Agri-Business Automation and Lean Manufacturing Program and the Agri-Business and Product Development Program, an Alberta beef processing facility is installing new technology to reuse the water supply, reduce wastewater and recycle salt. This includes adding a brine crystallizer to recover and reuse a large portion of the salt used to process hides. The plant will use pure water, which is the byproduct of the system, for local irrigation.

The Ministry continues to work proactively with the livestock industry, government and non-government partners to address air quality concerns associated with livestock production in Alberta, recognizing that good air quality in livestock facilities can have a positive impact on the health and well-being of animals and humans. Confined Feeding Operations (CFOs) can affect air quality through emissions of gases (ammonia and hydrogen sulfide), particulate matter and volatile organic compounds. Ministry staff continued to play an active role on the Clean Air Strategic Alliance through the CFO implementation team. A number of recommendations from the CFO team were addressed in 2010 – 2011 including the development of an Emissions Inventory and the development of an odour management template. In collaboration with industry partners, Ministry staff completed an odour management tool used in a pilot exercise starting in April 2011.

More than 100 groundwater wells have been drilled in southern and central Alberta as part of a Ministry-led, five-year study to assess impact of confined feeding operations on groundwater quality. The objective of the study is to better understand the impact of manure management activities on groundwater quality, particularly in confined aquifers situated underneath CFOs. The impacts of CFO facilities, earthen manure storage and manure spreading on groundwater quality will be assessed. Partners include the Natural Resources Conservation Board, Alberta Environment, AAFC and the University of Saskatchewan.

Additionally, as part of the Ministry's Liquid Manure Application Initiative, three large and four small demo plots were installed in three counties in 2010 – 2011 with nutrient management plans developed and reviewed with producers. An additional four fields were also assessed for manure application rates.

In 2010 – 2011 Ministry staff completed the third year of the four-year multi-agency Environmentally Smart Nitrogen (ESN) project, to investigate nitrogen fertilizer management to quantify the agronomic, economic and environmental (greenhouse gas mitigation) benefits for various management strategies based on product, time of application, placement and rate. Research is funded by the Alberta Crop Industry Development Fund and will be used to update and enhance the AFFIRM software for farmers to optimize fertilizer management decisions.

DID YOU KNOW

The Alberta Farm Fertilizer Information and Recommendation Manager (AFFIRM) is an interactive user friendly system that allows the user to select a crop to be grown, identify the field's agro-climatic region, input soil and crop management practices and enter soil test results from a laboratory report into the model. In addition, the user can input values for fertilizer costs and an expected crop value. The software is designed to access a series of databases to retrieve various coefficients based on the information entered by the user.

GOAL 3

FARMED ANIMAL HEALTH AND WELFARE, PLANT HEALTH, SAFE FOOD PRODUCTS AND LEGISLATIVE COMPLIANCE

National and Provincial Food Safety Strategies...

Farmed animal health and welfare...

Emergency preparedness...

Food safety systems...

Traceability...

Provincial crop pest surveillance...

Provincial hazards...

A verifiable reputation for excellence in food safety, plant health and farmed animal health and welfare is essential in reducing liability and risk and is critical to the creation of a competitive advantage in maintaining, restoring and expanding markets. The Ministry continues to engage with other government ministries, the federal government and industry in this shared ongoing responsibility in food safety. Supporting industry with science-based information that demonstrates the soundness of current practices and encouraging industry's adoption of internationally accepted science-based food safety and traceability systems and standards, are key components to success. In 2010 – 2011 the Ministry continued this work and further provided assurance of the effectiveness of industry's food safety system through inspections, audits and ongoing surveillance.

Ministry staff are leading and/or actively participating in each of the three working groups created under the Federal-Provincial-Territorial Food Safety Committee (FPTFSC), established to advance the three priority areas and move toward greater integration and alignment of the Canadian food safety system across all jurisdictions to better respond to food-borne illness. The three priority areas are: enhancing food safety surveillance, reducing pathogens in meat and poultry; and, developing meat hygiene requirements that will enable interprovincial trade of meat from provincial facilities adhering to these requirements.

Three Alberta meat facilities are currently being evaluated as pilots under the National Meat Hygiene Standard. The intent of this work, expected to be completed in the summer of 2011, is to allow interprovincial trade in meat. The Pathogen Reduction in Meat and Poultry Initiative moved forward with a successful national stakeholder information session in February 2011 and design of baseline surveys. Ministry staff continue to be engaged in work on enhanced surveillance along with the FPT partners.

Through the Ministry's continued participation in the Canada-Alberta Partners in Food Safety (CAPiFS), a joint effort of the Canadian Food Inspection Agency, Health Canada, Agriculture and Rural Development, Alberta Health and Wellness and Alberta Health Services, an implementation plan for the Alberta Food Safety Strategy is under development and will run over the course of the next three years. Alberta's Food Safety Strategy aligns with the National Strategy for Safe Food and will focus on priority areas such as identifying potential gaps in the current food safety system and using cooperative approaches to address gaps and reduce overlap in common areas.

In 2010 – 2011 more than 350 Alberta producers were supported with more than $1.3 million through the Growing Forward On-Farm Food Safety (OFFS) grant to help them implement or further enhance food safety practices in their agriculture operations. The OFFS program targets Alberta producers, horticultural packers and honey producer/graders actively engaged in a crop or livestock operation. Funding can be used to obtain a number of enhancements, including equipment such as cattle chutes with neck extenders, scales, load bars and pressure washers; software that enables producers to monitor and document the good agricultural practices

being implemented; and, computers that enable them to maintain the records required under the various OFFS programs.

Additionally, funds totalling $1.2 million were provided through the Growing Forward Food Safety Processing Program to 53 processors for improvements to their facilities or food safety programs that resulted in incremental advancement of food safety

The Alberta HACCP Advantage (AHA!) is a voluntary food safety program established by the Ministry, in cooperation with Agriculture and Agri-food Canada (AAFC), that has resources to assist processors in developing a complete and effective food safety program. AHA! was developed to complement current food safety regulations and to facilitate consistent program development within the processing industry. An effective food safety program identifies hazards and methods to prevent, eliminate or reduce hazards during the processing and production of food.

DID YOU KNOW

The Food Safety Processing Delivery Agent program provided $140,000 to the Alberta Food Processors Association for the development and/or delivery of education and training to the food processing industry.

ON TARGET!

The Alberta Hazard Analysis Critical Control Points (HACCP) Advantage Program (AHA!) was used by 53 processors in 2010 – 2011 to advance the development of their food safety system, exceeding the forecasted target of 33.

Focus on Relationships

Sakai Spice Canada, Lethbridge, Alberta

"I am a relatively new resident in Canada and found myself working in a food manufacturing plant. Although this plant had a HACCP plan of sorts it was not understandable and easy to get along with. Because of this I found myself having to re-write the whole thing!!!!! Not a task I was really looking forward to. But after speaking to people from Alberta Ag and AFPA I was pointed in the direction of the AHA! Website – it is amazing. For someone who is new to this and is learning on the hoof – the information on the website, the guidelines and the examples are amazing. I feel totally comfortable with what I am doing and I put this down to the AHA! website, and the infinite knowledge of the people who deal with it every day. Many many thanks and please keep up the good work and the phone lines open."

Monika Frank-Ruediger, Food Safety Specialist, ARD, Airdrie, Alberta

"It's been really terrific working with the staff at Sakai Spice. Their commitment and dedication to continuously improving their food safety programs and practices have contributed to their ongoing success. It's been a pleasure to have been part of their journey."

Ministry staff also completed eight food safety gap assessments to the AHA! standard with Alberta processors to help build awareness of the gaps in their current food safety system and develop options for implementing food safety controls.

The Ministry continues to monitor the prevalence of Bovine Spongiform Encephalopathy (BSE) in Canada to determine the effect of mitigation measures. Alberta's BSE data contributes significantly to Canada's "Controlled BSE Risk" status. A communication campaign was launched in early 2010 and a similar campaign encouraged producers to submit samples to the Canada-Alberta BSE Surveillance Program (CABSESP) during the 2011 calving season. Sampling numbers for the 2010 – 2011 fiscal year were approximately 9,400. By using a more targeted program, the CABSESP estimates that the number of World Organization for Animal Health (OIE) points produced from November 2009 to November 2010 are

similar to the year 2005 when CABSESP tested the largest ever number of samples (30,536). This data validates the targeted surveillance currently conducted by CABSESP, while creating significant savings to taxpayers in Alberta.

DID YOU KNOW

Top 5 Reasons to develop and implement a food safety program

- Increased food safety
- Increased customer confidence in food safety
- Meeting and exceeding customer requirements
- Best practices by staff constantly reinforced
- Reduced waste (operational, recalls)

Additionally, the necessary consultation was completed in 2010 – 2011 to transfer the remaining legislative responsibility for the regulation of farmed cervids as identified in the *Wildlife Act* and Wildlife Regulation, from Sustainable Resource Development to the Ministry through the *Livestock Industry Diversification Act* (LIDA) legislation. Through the proposed amendments to LIDA, a "one-window" approach to dealing with domestic cervids will be created. This will reduce the regulatory burden faced by both industry and government by streamlining processes and reducing administrative duplication. Additionally, the proposed amendments to LIDA will position the Ministry to broaden the scope of the Act to allow future regulation of other non-traditional livestock species.

Ministry staff continue to be extremely successful in ensuring provincial abattoirs meet the Meat Facility Standard (MFS) as defined in the *Meat Inspection Act* and Regulations. All abattoirs are meeting the minimum MFS requirements and ongoing activities in terms of ensuring compliance with legislation continue.

ON TARGET!

86% of Alberta-licensed meat processing facilities have added a preventative system to their existing food safety system (Meat Facility Standard), exceeding the forecasted target of 50%.

Ministry staff have also been active in consulting with the Feeder Associations of Alberta and are finalizing the drafting of several new regulations under the *Feeder Association Guarantee Act 2009* that will allow the program to meet the needs of the livestock feeding and marketing value chain in the current business climate.

In terms of advancements in traceability, the Ministry continues to encourage industry cooperation and participation through initiatives and programs, rather than relying solely on a regulatory approach. Alberta has made a conscious decision to focus on informing, educating, assisting and providing incentive to producers to increase compliance. A $2.34 million, two-year grant, funded through Growing Forward, was provided to the Canadian Cattle Identification Agency (CCIA) to support traceability extension services to Alberta livestock producers, auction markets and industry groups. With these funds, CCIA supports 11 field staff across the province who assist producers with age verification, premises identification and other traceability initiatives, as well as help organize and facilitate producer meetings and ensure ongoing producer education. Additionally, approximately 6,000 producers were directly supported by a network of department and CCIA mobile field representatives.

In May 2010 the Ministry announced the three-year, $15 million Age-Verification Incentive Program, which provides cow-calf producers with an annual incentive of up to $3.00 for each calf born the previous year and age-verified within the time required by regulation (10 months). To date, over 10,000 producers have received a reimbursement or discount under the program.

The Ministry continues to encourage technology adaptation and adoption to enhance traceability systems and business management systems. The Growing Forward Radio Frequency Identification (RFID) Technology Assistance Program was created

to offer cost-shared support to feedlots (feeding over 1,000 head of cattle per year) to assist with the new regulatory requirements. To date, the program has provided 110 feedlots with funding to assist in the purchase and installation of RFID readers and associated software. Additionally, the Growing Forward Traceability Pilot Program was created to offer assistance to industry in evaluating and understanding the benefits and costs of traceability technologies.

The Ministry also facilitated the signing of an agreement, the "Guiding Principles for Beef Cattle Traceability", between the Alberta Beef Producers, the Alberta Livestock and Meat Agency Ltd., the Beef Industry Alliance, the Canadian Beef Breeds Council, the Canadian Cattlemen's Association, the Canadian Cattle Identification Agency and Livestock Inspection Services, that provides the foundation for livestock traceability in Alberta and will be key to expanding market access and managing animal health and food safety issues. These guiding principles are as follows:

- Traceability will support industry standards for commerce.
- The traceability system for the beef cattle industry will enhance the competitive position of the industry.
- Traceability will expand as the appropriate technology to support initiatives is available.
- Industry standards will drive tolerance ranges for tag readability and retention.
- Producer information must remain confidential.

DID YOU KNOW

The Growing Forward Traceability Pilot program funded an auction market pilot project that installed and evaluated RFID Systems in various auction market environments.

Additionally, the Ministry introduced two new traceability programs for the province's sheep and cervid industries. The cervid identification and registration program supports the cervid industry's efforts to comply with LIDA requirements and strengthens Alberta's cervid information system. An electronic identification incentive program will encourage sheep producers to use RFID ear tags.

The Ministry also dedicated resources to the development of the National Farmed Animal Health and Welfare Advisory Council, a new collaborative mechanism to support industry and all orders of government to work together to achieve the strategic outcomes of the National Farmed Animal Health and Welfare Strategy (NFAHWS).

Additionally, through animal health programs such as the Alberta Veterinary Surveillance Network (AVSN), Ministry staff assisted Alberta livestock producers and veterinarians by monitoring and mapping the incidence of disease in approximately one million dairy and beef cattle in 53 counties to provide an early warning system for foreign animal and emerging disease outbreaks. Surveillance systems are also being established for the poultry, swine and small ruminant industries. Ministry staff also assisted private veterinarians with the diagnosis of significant disease problems on-farm in 62 cases through the Livestock Pathology Consultation Program. Additionally, Ministry staff assisted with 23 meat inspection cases and three wildlife cases with Alberta Sustainable Resource Development.

The *Animal Health Act* allows for a rapid and effective response to "reportable" diseases, which are those that pose a threat to animal health, public health, market access or the livestock economy. In 2010 – 2011 Ministry staff led 63 animal disease investigations under authorities provided by the Act, which also authorizes the Ministry to monitor "notifiable" diseases to identify trends and prevalence. In addition to these 63 reportable disease cases, the Ministry also investigated 11 other referrals from private veterinarians through the Livestock Disease Investigation Network.

Focus on Relationships

Dr. Cecilia Ruschkowski, Veterinarian, Oyen Vet Services, Oyen, Alberta

"Working with ARD veterinarians has been a great experience over the last few years. They have an excellent rapport and I am completely comfortable sending them to the day-to-day cattlemen that I work with and to other private practitioners throughout the province. Their practical experience and support adds a great deal of value to private practice and I'm very pleased that I have this terrific working relationship with the folks at ARD."

Dr. Jagdish Patel, Veterinarian, ARD, Edmonton, Alberta

"As part of AVSN's mandate to work with private veterinarians to solve animal health problems for livestock belonging to producers, veterinarians in ARD's Food Safety and Animal Health Division enjoy working with and will continue to provide assistance to food animal veterinarians throughout the province. Working with private veterinarians also enables us to enhance our surveillance on animal health issues. We are very pleased to have such a positive working relationship with our colleagues in private practice."

Ministry staff also participated in the "Generic Parasite Drugs for Horses Destined for Meat" research project to support the new CFIA regulations regarding pharmaceutical usage in livestock. Generic ivermectin will provide the first registered horse antiparasitic in Canada that will have a label claim for use in meat horses.

The Ministry has also committed considerable effort to planning for an animal health emergency, including: drafting a detailed plan to mobilize its resources and manage an event independently or in conjunction with the CFIA; emergency carcass disposal planning; assisting industry with improving their level of emergency planning; and providing education and training to producers and industry partners on how to prevent diseases from ever getting on their premises (biosecurity measures).

DID YOU KNOW

The research project for disposal of cattle carcasses on farm in the event of a major disease outbreak titled: "Biocontained carcass composting for control of infectious disease outbreak in livestock" is now an online five minute video at http://www.jove.com/index/Details.stp?ID=1946.

Crop pest surveillance programs continue to provide valuable information to Alberta's producers, industry agrologists and department specialists. Ministry staff, in collaboration with agricultural fieldmen, conducted numerous pest surveys including a comprehensive survey of over 900 wheat, barley and corn fields for Fusarium head blight, a destructive disease of cereal and corn crops. This survey provided critical information on the occurrence and spread of this disease that will ensure effective updates to the province's Fusarium graminearum Management Plan. In addition, the department has collaborated with agricultural fieldmen, agricultural service boards, counties, canola and horticulture producer groups, industry and researchers to develop a clubroot management plan that has been distributed to municipalities to facilitate consistent application of management practices.

Additionally, the new *Weed Control Act* and Regulation came into effect on June 16, 2010, replacing the old Act and consolidating regulations for a more streamlined and comprehensive approach to protecting the production and quality of Alberta land from invasive plants. The expanded list of invasive plants strengthens the legislation and the ability of the province and municipalities to work with the agriculture industry and other Albertans to increase our vigilance in keeping weeds out of Alberta.

GOAL 4

A VIBRANT, RESILIENT AND SUSTAINABLE RURAL ALBERTA

A strong rural Alberta contributes to the province's prosperity. Vibrant and resilient rural communities with increased human and business capacity are able to adapt, build networks, address challenges and take advantage of opportunities that lead to economic diversification, self-reliance and an improved quality of life.

In 2010 – 2011 Ministry staff continued to provide training and leadership to rural community and business leaders, assist with rural business diversification, contribute to planning of future rural development and facilitate the development of community infrastructure. The Ministry continued to co-lead, with Alberta Finance and Enterprise, the Assistant Deputy Ministers' Committee on Rural Development to encourage discussion and collaboration on strategic cross-ministry issues related to rural development. The areas of activity were: improving broadband service in rural and remote communities to facilitate its use for economic and social development, and coordination of funding for community economic development projects.

Community capacity...

Collaboration...

Learning and skill development...

Rural youth and leadership...

Access to capital...

Utility and community infrastructure...

The Ministry also continued to support Rural Alberta's Development Fund (RADF). Since 2007, RADF has invested $75 million in funding for 68 rural Alberta projects and programs. For example, almost $1 million in funding was approved for a new project aimed at providing learning and networking opportunities to young farmers. "Farm Masters" is a new online learning program being developed by the FarmOn Foundation, aimed at supporting young farmers by equipping them with the tools, knowledge and hands on skills necessary to transform their farm businesses and reshape the agricultural industry.

Additionally, through its various farm and commercial programs designed to ensure reasonable access to capital in support of diverse agricultural and rural business opportunities, Agriculture Financial Services Corporation (AFSC) assisted 1,588 rural businesses in 2010 – 2011 with direct loans totaling $380 million.

DID YOU KNOW

Under the Memorandum of Understanding on Rural Development with the Province of British Columbia, two joint projects were completed — the "Rural Alberta Profile, a Fifteen year Census Analysis" and an "Inventory of Rural Economic Development Tools and Guides in Alberta and British Columbia."

ON TARGET!

The total leveraged investment in rural businesses facilitated through AFSC lending services was $640 million, exceeding the target of $385 million.

The Ministry helped rural communities respond to changing economic circumstances and improve access to high speed broadband services by distributing funds made available through the Government of Canada's Community Development Trust Fund. Between November 2008 and March 31, 2011, a total of 101 projects valued at $24 million were approved.

The Rural Community Adaptation Grant Program (RCAP) focused on increasing the capacity of rural communities to respond to changing circumstances. In the 2010 – 2011 fiscal year, 28 projects valued at over $4.8 million were approved. Examples include:

- County of Grande Prairie No.1: $500,000 to support the assessment and development of the Pipestone Creek Dinosaur Museum project in Wembley.
- Whitefish Lake Band #128: $250,000 to further develop their business and human resource plan for the Nation.

- Vulcan Business Development Society: $144,000 to develop and implement a branding and marketing strategy for the region.

The Rural Connections: Community Broadband Infrastructure Pilot Program (RC:CBIPP) focused on extending and enhancing broadband coverage by funding infrastructure projects, evaluating technologies and supporting the delivery of internet training. In the 2010 – 2011 fiscal year, 18 projects valued at approximately $5.2 million were approved. Examples include:

- East Smoky Gas Co-op Ltd.: $500,000 to assist in the deployment of a wireless broadband network and allow for automated meter readings within the applicant's rural gas utility franchise area (the Debolt, Little, Smoky and Fox Creek areas).
- Green Hectares Corporation: $446,105 to support the delivery of broadband internet training in 10 rural Alberta regions (Peace country and rural areas around Edson, Slave Lake, Edmonton, Camrose, Olds, Calgary, Brooks and Fort MacLeod).
- Round Hill & District Agricultural Society: $135,570 to develop and construct a wireless broadband infrastructure network in Round Hill and the regions north of Gwynne and south of Miquelon Lake.

A description of all RCAP and RC:CBIPP projects approved can be found at www.rural.alberta.ca.

Additionally, the Ministry participated in the Government of Alberta broadband final mile working group to implement the Broadband Final Mile Strategy to ensure rural and remote communities have improved broadband service and can utilize it for economic and social development. The Ministry continues to support and promote a culture of broadband use through extending best practices to rural Albertans, rural organizations and rural municipal governments, as well as partnering with Service Alberta and the Alberta Association of Municipal Districts and Counties to conduct a rural broadband gap analysis. The provision of $9.7 million in grant funding to build and operate broadband infrastructure in five rural and remote areas in Alberta will facilitate the use of 25 telecommunications towers at no additional operating costs for 20 years and may be used by the new Alberta first responder radio system.

The Ministry also provides funding toward the construction of rural gas and rural electric services to enable affordable access to these essential utilities. Almost 240 new rural electrification association services received grants totaling over $690,000 in 2010 – 2011.

Additionally, in 2010 – 2011 almost $1.2 million in heating rebates was provided to Albertans residing in remote communities to help reduce the high costs of propane and heating oil. $3.05 million was provided to help lower the cost of installing almost 2,900 natural gas services.

The Ministry continues to support the rural community development work of Alberta's 295 agricultural societies and 69 agricultural service boards. The Ministry continues to support these local groups as they contribute to community capacity building and infrastructure development through projects, enforcing legislation and developing programs and services that protect, sustain and improve agricultural production capability in Alberta. In 2010 – 2011, the Ministry provided $10.5 million of Alberta Lottery Funds to agricultural service boards.

With funding support through Growing Forward, the Alberta Agricultural Products Marketing Council hosted twenty board governance workshops designed to enhance board governance practices and awareness in the industry and with Ministry staff. Over 300 board directors and staff, representing over 100 agricultural and rural organizations, attended these workshops. The feedback received demonstrated a high level of participant satisfaction and preliminary results identify a high rate of adoption of effective governance practices. Council will continue its work in the area of board governance and plans to support similar workshops and learning opportunities in the upcoming year.

The Ministry continues to focus on farm safety through increasing knowledge and best practices in health and safety management in agriculture. Acting on a recommendation from an intensive farm safety review, 15 members were appointed to the new Farm Safety Advisory Council in March 2011. Co-chaired by government and industry, the Council was formed to advise the government on how to enhance farm safety education and training. Additionally, the 2010 – 2011 fiscal year was the last year for the provision of funding in the amount of $120,000 to the Alberta Farm Safety Centre to expand and run the "Safety Smarts" farm safety program to children across Alberta.

In 2010 – 2011 the Ministry's ongoing Safety Up! Campaign for young and new farm workers expanded its delivery model by creating the "I Love Agriculture" Facebook page, which encourages youth to discuss issues relating to farm safety. Ministry staff also collaborated with Alberta Education and the Calgary Board of Education to develop an agriculture safety credit course (AGR 3000) for high school students, and completed a contract with Human Development Consultants Ltd. to develop the newly designed "Safe Think, Agriculture" training course, which is targeted towards new and young farm workers and their employers.

In addition to supporting the Ministry's Safety Up! campaign and the Safe Think high school course, Growing Forward funding supported the children 15 and under farm safety educational program focused on expanding, branding and communicating messages on our children's farm safety educational resources. The resources developed through this project go out to various community events and farm safety day camps to educate rural youth on farm safety best practices appropriate for their age range.

Farm safety programming is also integrated into the Ministry's 4-H, Green Certificate and Summer Farm Employment programs. In addition to supporting agricultural societies in their organization of farm safety events throughout 2010 – 2011, Ministry staff presented farm safety education at 35 farm safety events in 2010 – 2011 and provided learning resources and information in response to over 250 requests from media, industry and community organizations.

Engaging rural youth in leadership and skill development is also critical to ensuring a sustainable, resilient rural Alberta. Through the 4-H program, the Green Certificate apprenticeship training program and an innovative series of Ministerial roundtable meetings, Alberta's rural youth are empowered and engaged in strengthening their communities. In 2010 – 2011 the Green Certificate Program enrolled 696 new students and certified 445 students.

FARM SAFETY ADVISORY COUNCIL MEMBERSHIP

Jason Krips, Co-Chair
Page Stuart, Co-Chair
Devin Yeager
Lee Townsend
Laura Nelson
Carla Amonson
Paul Doef
Harold Haugen
Bernie Klammer
Kathy Pyper
Roy Lewis
Maureen Schwab
Jim Towle
Harvey Hagman
Doug Beever

ON TARGET!

The percentage of Ministry-supported, agricultural-related community activities that focus on leadership development was 33% in 2010 – 2011, exceeding the target of 31%.

Extensive networking with educators, other GOA departments and the agriculture industry, promotes broad agriculture awareness and supports innovative agriculture education programs across the province. For example, the "EarthBox Kids" project, funded through Growing Forward and organized by the Ministry, used EarthBoxes to help students, their parents and teachers experience a full garden cycle, from seed to harvest. Over 25 schools in the province, from kindergarten to culinary technical schools are growing vegetables as part of their programs of study and to improve their understanding of food security and water and soil conservation. New research published by the Royal Horticultural Society shows that, as well as helping children lead happier, healthier lives, gardening helped them develop skills that are essential for them to fulfill their potential in a rapidly changing world.

Focus on Relationships

Jennifer Parkinson, Fleetwood-Bawden Elementary School, Lethbridge, Alberta

"My students were each responsible for growing plants from both seeds and seedlings and they kept a personal log to chart and record the growth of their respective plants! This recording experience alone was invaluable in showing students the incredible transformation of a corn seed to the towering cornstalks bearing corncobs at harvest time! Our tomato crops were also amazing to track! From little seedlings, we harvested pounds and pounds of ripe tomatoes that were then turned into salsa that every student and staff member in our school could sample."

Brent Andressen, Agricultural Education Specialist, ARD, Edmonton, Alberta

"The EarthBox Kids project has been a fantastic experience thanks to teachers like Jenni Parkinson. She and other visionary educators have shown true pioneer spirit in seeing the instructional potential of school gardens and then by working hard to make these gardens a success. Not only are the students learning about healthy food choices, they are also discovering skills and interests that will lead some of them onto new career paths. Remarkable things are happening in Jenni's garden and in others across the province and it has been a joy to be part of it."

The development of rural leadership capacity is the focus of the Growing Forward Business Management programs including the Leadership Development Program, launched in 2010 – 2011, which supports continuous learning and innovative education opportunities for the agriculture industry. More than $65,000 was provided to individuals and industry groups through the Business Management programs for activities such as board development training and enrolment in leadership development programs.

ON TARGET!

The percentage of rural youth and adults participating in ministry-supported programs that report effective learning form these programs was 95%, exceeding the target of 90%.

The Ministry continued programs and services that provide rural businesses and organizations with opportunities to facilitate business networks. The Ministry website Ropin' the Web, the radio show Call of the Land and various other media such as the weekly Agri-News package have allowed rural businesses to become more informed regarding opportunities that will assist in growing their businesses.

Performance Measures Methodology 2010 – 2011

Core Business 1: Facilitate a market-driven, environmentally responsible industry

GOAL 1

A COMPETITIVE SELF-RELIANT INDUSTRY

Performance Measure 1.a Number of value-added products developed and successfully introduced to market with assistance from Agriculture and Rural Development.

Data Source: Agriculture and Rural Development.

Description

The measure tracks the number of value-added products developed and successfully introduced to market with technical support from Ministry staff. Technical support would be provided for one or more of the following: product formulation, shelf-life, packaging, sensory evaluation, marketing and commercialization.

Calculation method

The result for this measure is the total number of written confirmations provided by industry clients for products that were developed with the assistance from the Ministry and successfully introduced to market from April 1, 2010 to March 31, 2011.

Data limitations

There are no data limitations.

Performance Measure 1.b Research and development investment by collaborators leveraged through Ministry resources ($ million).

Data Source: Agriculture and Rural Development.

Description

This measure tracks the amount of funds leveraged from outside sources through Ministry investment in research and development in four priority areas: value-added processing, livestock development, crop diversification and environmental stewardship.

Calculation method

The result for this measure is the sum of expended dollars from outside sources through Ministry investment in research and development in four priority areas: value-added processing, livestock development, crop diversification and environmental stewardship.

Data limitations

Data on in-kind contributions from collaborators are not included in the calculation of this measure. As a result, the performance result likely understates the true amount of leveraged resources invested by collaborators. Measures of in-kind contributions are less reliable as they are based on estimates that can be subjective in nature.

Performance Measure 1.c Total leveraged investment in agri-industry businesses (farm business and agri-business) facilitated by Agriculture Financial Services Corporation (AFSC) lending services ($ million).

Data Source: Agriculture Financial Services Corporation.

Description

This measure reports the total dollar investment in farm businesses and agri-businesses in both rural and urban areas as a result of AFSC's involvement in the facilitation of capital investment in agri-businesses and farm businesses through its lending products, services and partnerships.

Calculation method

The total amount of loans approved for agri-business and farm operations is reported as a proxy for total leveraged investment in agri-industry businesses facilitated by AFSC lending services. This amount excludes all loans that were approved in 2010 – 2011 and subsequently cancelled or withdrawn on or before March 31, 2011.

Data limitations

Total dollar investment in agri-business and farm loans is a proxy value for investment based on loans approved. Values reported are affected by timing differences between approval and disbursement of loans approved. As well, not all approved loans are disbursed.

Performance Measure 1.d Percentage of agricultural business managers surveyed indicating the use of risk management tools for improved decision-making (triennial survey).

Data Source: Agriculture and Rural Development 2009 Risk Management Survey.

Description

This measure tracks usage and effectiveness of risk management tools available to primary producers in Alberta. A risk management tool is defined as an analytical process or a decision aid used to identify and measure risk, and to evaluate alternative response strategies, technologies and practices.

Calculation method

The calculation is derived from respondents that used at least two of the following four risk management tools: manual budget calculations, self-developed computer spreadsheets, farm-level financial tools and enterprise commodity budgeting tools *and* also indicated that the risk management tools they had used made "great" or "some" improvement in their ability to make better risk management decisions. The responses from each survey respondent that simultaneously satisfy these two questions are weighted by region and income, and expressed as a percentage.

The random and representative sample size was 687, providing a margin of error in provincial results of ± 3.8 per cent at the 95 per cent confidence level. The response rate was 29.7 per cent. Respondents for the 2009 Risk Management Survey were selected from a purchased list of commercial farmers maintained by Farm Business Communications as well as an internet search of small commodity producers. Agricultural business managers refer to active primary producers in Alberta who are most responsible for their farms and whose gross income was $50,000 or more in 2008.

Data limitations

Data limitations include non-subscribers to Farm Business Communications (the source of the original survey list), non-contactable subscribers (due to privacy legislation compliance), unreachable sample (due to wrong telephone numbers, answering machine, busy, no answer, etc.) and non-response, and disqualification due to failure to answer screening questions.

Performance Measure 1.e Percentage of eligible seeded acres for major crop categories insured under Production Insurance/AgriInsurance:

- **Annual crops, and**
- **Perennial crops.**

Data Source: Statistics Canada and Agriculture Financial Services Corporation.

Description

This measure indicates the success of the Ministry in providing customized insurance products to producers, based on individual producer risk preference.

Calculation method

The total eligible seeded acres for the annual crops insured under the Crop Insurance/AgriInsurance program is divided by the corresponding total as reported by Statistics Canada (Agri-Food Statistics Update). The result is then expressed as a percentage.

The total eligible seeded acres for the perrenial crops insured under the Crop Insurance/AgriInsurance program is divided by the corresponding total for seeded and native pastures (Census of Agriculture 2006, Statistics Canada) and tame hay pasture (Agri-Food Statistics Update). The result is then expressed as a percentage.

Data limitations

The Census of Agriculture is collected every five years so acres may change during that time.

Performance Measure 1.f Percentage of Alberta farm cash receipts represented by Alberta participants in the AgriStability Program.

Data Source: Agriculture and Rural Development, Statistics Canada and Agriculture Financial Services Corporation.

Description

The measure provides evidence of the overall acceptance and effectiveness of the AgriStability Program as a risk management option and solution for producers in Alberta, based on individual producer risk preference.

Calculation method

To determine the reported result, the total amount of farm cash receipts represented by AgriStability participants in Alberta is divided by the total farm cash receipts for Alberta. The figures are based on the 2009 farm financial information as reported to Canada Revenue Agency.

Data limitations

Information provided by Statistics Canada is a preliminary estimate and may change slightly as more data is accumulated.

GOAL 2

ENVIRONMENTAL STEWARDSHIP

Performance Measure 2.a The average percentage of improved environmentally sustainable agriculture practices adopted by producers (biennial survey).

Data Source: Agriculture and Rural Development 2010 Environmentally Sustainable Agriculture Tracking Survey.

Description

This measure tracks the level of adoption of beneficial management practices by primary producers seeking to improve environmental stewardship on their farm operations.

Calculation method

This survey assesses adoption of environmentally sustainable agriculture (ESA) practices. The target population for this survey is based on a subscription list of commercial farmers maintained by Farm Business Communications. The random and representative sample size was 500, providing a margin of error in provincial results of ± 4.4 per cent at the 95 per cent confidence level. The response rate was 24.5 per cent.

The result for this measure is derived from 67 ESA practices that could be used to address soil conservation, water quality, wildlife habitat conservation, energy and climate change (adaptation), manure management and agricultural waste management.

An eligible ESA practice (or group) for the base calculation is based on farm type, farm site characteristics and operation practices. The percentage of eligible environmentally sustainable agricultural practices adopted by each respondent is multiplied by a weighting factor to generate a weighted adoption score for each respondent. The result of this measure is the average weighted adoption score of all respondents expressed as a percentage.

Data limitations

Data limitations include non-subscribers to Farm Business Communications (the source of the survey list), non-contactable subscribers (due to privacy legislation compliance), unreachable sample (due to wrong telephone numbers, answering machine, busy, no answer, etc.) and non-response, and disqualification due to failure to answer a required screening question.

Core Business 2: Food safety, plant health and animal health and welfare

GOAL 3

FARMED ANIMAL HEALTH AND WELFARE, PLANT HEALTH, SAFE FOOD PRODUCTS AND LEGISLATIVE COMPLIANCE

Performance Measure 3.a Percentage of Alberta licensed meat processing facilities that have added a preventative system to their existing food safety system: (Meat Facility Standard).

Data Source: Agriculture and Rural Development.

Description

This measure tracks the Ministry's success in encouraging Alberta's licensed meat processing facilities (red meat and poultry abattoirs) to implement Hazard Analysis Critical Control Points (HACCP) preventative food safety systems in their facilities and is an indicator of provincially-licensed meat processors' commitment to safer production practices.

Calculation method

The result for this measure is derived by dividing the number of Alberta-licensed meat processing facilities that have implemented appropriate food safety process control systems as of December 31, 2010 by the total number of Alberta-licensed meat processing facilities as of April 6, 2010.

Data limitations

There are no data limitations.

Performance Measure 3.b Number of Alberta food processing facilities participating in the Alberta HACCP Advantage Program (AHA!).

Data Source: Agriculture and Rural Development.

Description

This measure tracks the successes of the Ministry in encouraging Alberta food processors to adopt HACCP based food safety systems and or improve existing food safety systems. HACCP systems provide a systematic and preventative approach for the identification and control of food safety hazards.

Calculation method

This performance measure reports the total number of Alberta's provincially-licensed food processing plants that implemented appropriate food safety process control systems in 2010 – 2011, as reported under the AHA! program.

Data limitations

There are no data limitations.

GOAL 4

A VIBRANT, RESILIENT AND SUSTAINABLE RURAL ALBERTA

Performance Measure 4.a Total investment leveraged in rural businesses facilitated through Agriculture Financial Services Corporation (AFSC) lending services ($ million).

Data Source: Agriculture Financial Services Corporation.

Description

The measure highlights the successes of AFSC's direct contribution, partnership and collaboration with other stakeholders in providing funding to rural businesses for farming and/or commercial activities in rural Alberta. Dollar investment is any fund (i.e., debt, equity, investment) that would be used to support the growth of value-added processing in agriculture.

Calculation method

Farms and commercial business investments in rural areas (all sources are included whether direct from AFSC, other sources of debt, business owner's equity or investment by a third party) are added and reported as total dollar investment. This amount excludes all loans that were approved in 2010 – 2011 and subsequently cancelled or withdrawn on or before March 31, 2011.

Data limitations

Total dollar investment in rural businesses is a proxy value for investment based on loans approved. Values reported are affected by timing differences between approval and disbursement of loans approved. As well, not all approved loans are disbursed.

Performance Measure 4.b Percentage of Ministry-supported, agricultural-related community activities that focus on leadership development.

Data Source: Agriculture and Rural Development.

Description

This measure highlights the Ministry's success in developing leadership capacity in rural communities, including the provision of diverse initiatives under Ministry agricultural community programming. The breadth and diversity of agricultural-related community activities held at various events throughout the year enhance the capacity of rural communities to nurture, retain and enhance critical skills in leadership.

Ministry-supported activities include educational workshops, sessions or community improvement projects organized by rural communities that relate to projects, leadership development, agriculture education and agriculture-related activities such as livestock shows.

Leadership development activities encompass learning opportunities for both youth and adults in rural communities to nurture and improve skill sets needed to strengthen rural communities. Leadership development activities provided under a variety of settings enhance the capacity of rural communities to nurture, retain and

enhance critical skills with respect to leadership, management, public speaking, economic development and environmental sustainability. These skills are important in supporting vibrant and sustainable rural communities.

The activities held at Ministry-supported events fall under three program areas: Agricultural Society Program, 4-H and Agricultural Initiatives. The activities included in the measure address the ministry's five priority areas:

- **Agriculture-related activities** – refers to activities such as rodeos, fairs and livestock shows.
- **Agri-business development** – includes any activities that promote agricultural business development and the development of the agriculture industry.
- **Agriculture education and skill development** – includes programs or projects that foster awareness of agriculture or improve/develop skills within the community.
- **Leadership development** – includes training for volunteer staff, providing funding for conferences, workshops and seminars and sponsoring youth leadership development.
- **Community improvements** – includes any capital funding for infrastructure development, renovations, repairs and maintenance, and operating costs of facilities, as well as all capital projects from the Agricultural Initiatives Program grant program.

Calculation method

The total number of leadership development activities is divided by the total number of all agricultural-related community activities and then expressed as a percentage.

Data limitations

There are no data limitations.

Performance Measure 4.c Percentage of rural youth and adults participating in Ministry-supported programs that report effective learning from those programs.

Data Source: Agriculture and Rural Development.

Description

This performance measure provides a continuous measurement tool for assessing the effectiveness of learning opportunities provided for rural youth and adults under Ministry-supported programs.

Calculation method

The data for this measure is obtained through the use of written evaluations from a rotating sample of eight random and representative Ministry-supported programs. Fifty per cent of the programs evaluated in the current year (initial year) will be dropped in next year's evaluation wave and replaced with a new sample of equal size. The complete set of programs in the initial survey sample is thus replaced every two years, ensuring that 50 per cent of the programs are common from year to year.

The target audience and individual program objectives determine the type of questions that are selected from a standardized menu. For each question, the respondent may choose "Yes" to indicate a positive change (effective learning) or "No" to indicate no positive change. Questions that are not answered or have multiple answers selected are coded "No Response" and excluded from the analysis.

To assess effective learning from Ministry-supported programs, respondents are asked questions on knowledge learned, attitudes affected in a positive way, skills acquired, and aspirations developed through their participation in those programs. The aggregate weighted percentage of respondents who reported effective learning from Ministry-supported programs is calculated and reported.

A total of 722 rural youth and adults were surveyed, with a response rate of 96 per cent. Results are reliable within ± 4.9 per cent at the 95 per cent confidence level.

Data limitations

There are no data limitations.

Ministry Expense by Function — Financial Results of Operations

REVENUE

Ministry revenue was $691 million, $68 million lower than 2009 – 2010 and $56 million lower than budget.

Compared to 2010 Actual. Lower revenues from the previous year are primarily due to decreases of $103 million for federal contributions relating to the AgriStability program, partially offset by $36 million in increased insurance premiums due to higher producer participation in production insurance and reduced early payment premium discounts.

Compared to Budget. Reduced revenue compared to budget is due to lower than budgeted federal contributions related to the AgriStability program, partially offset by higher revenues for insurance premiums, interest and investment income.

EXPENSE

Ministry expense was $1.0 billion. Insurance and agriculture income support accounted for $624 million or 62% of total expense.

Compared to 2010 Actual

Total expense was $398 million lower than 2009 – 2010.

- Insurance expenses were $193 million lower than the previous year. Record crop losses in 2009 – 2010 resulting from poor weather conditions and low commodity prices account for the variance.
- Expenses for agriculture income support were $189 million lower than the previous year as a result of lower AgriStability program expense.

Compared to Budget

Total expense was $115 million lower than budget.

- Agriculture income support expenses were $118 million lower than budget resulting from lower AgriStability expenses despite increases for unbudgeted AgriRecovery payments.

Financial Information

Agriculture and Rural Development

Financial Statements

Ministry of Agriculture and Rural Development

Consolidated Financial Statements
Year Ended March 31, 2011

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2011

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Independent Auditor's Report

AUDITOR GENERAL *Alberta*

To the Members of the Legislative Assembly

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Ministry of Agriculture and Rural Development, which comprise the consolidated statement of financial position as at March 31, 2011, and the consolidated statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidation financial statements present fairly, in all material respects, the financial position of the Ministry of Agriculture and Rural Development as at March 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, CA]

Auditor General

June 2, 2011

Edmonton, Alberta

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2011

	2011 Budget	2011 Actual	2010 Actual (Restated - Note 3)
		(in thousands)	
Revenues			
Internal Government Transfers	$ 20,720	$ 20,720	$ 20,720
Transfers from Government of Canada	356,799	272,598	376,008
Interest and Investment Income	102,870	109,011	99,013
Premiums from Insured Persons	240,707	257,378	221,455
Fees, Permits, Licenses and Other Income	25,539	30,986	41,689
Ministry Revenue	**746,635**	**690,693**	**758,885**
Expenses (Schedule 1)			
Program			
Agriculture Income Support	292,398	173,943	362,870
Lending	26,043	24,717	24,551
Insurance	417,845	449,722	642,853
Farm Fuel Distribution Allowance	33,500	30,614	33,173
Policy and Environment	49,471	41,568	36,628
Rural Development and Regulatory Services	26,803	37,685	29,142
Industry Development and Food Safety	116,334	111,158	107,432
Livestock and Meat Strategy	47,728	37,129	48,930
Infrastructure Assistance	24,000	24,000	29,049
Ministry Support Services	16,230	14,926	15,668
Program Expense	**1,050,352**	**945,462**	**1,330,296**
Other			
Debt Servicing Costs	64,562	53,993	51,489
Valuation Adjustments	4,761	5,080	20,860
	69,323	59,073	72,349
Ministry Expense	**1,119,675**	**1,004,535**	**1,402,645**
Gain (Loss) on Disposal of Tangible Capital Assets	-	20	(17)
Net Operating Results	**$ (373,040)**	**$ (313,822)**	**$ (643,777)**

The accompanying notes and schedules are part of these consolidated financial statements.

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2011

	2011	2010 (Restated - Note 3)
	(in thousands)	
Assets		
Cash and Cash Equivalents	$ 387,063	$ 301,252
Accounts Receivable	16,936	16,051
Due from Government of Canada	265,330	339,761
Loans Receivable (Schedule 2)	1,397,155	1,264,023
Investments (Schedule 3)	701,471	496,564
Tangible Capital Assets (Schedule 4)	86,554	84,565
	$ 2,854,509	**$ 2,502,216**
Liabilities		
Accounts Payable and Accrued Liabilities	$ 67,706	$ 72,268
Indemnities Payable	339,708	486,248
Unearned Revenue	24,764	33,276
Notes and Interest Payable to the Province of Alberta (Schedule 5)	1,371,656	1,211,200
	1,803,834	**1,802,992**
Net Assets		
Net Assets at Beginning of Year	699,224	861,842
Net Operating Results	(313,822)	(643,777)
Net Financing Provided from General Revenues	665,273	481,159
Net Assets at End of Year	1,050,675	699,224
	$ 2,854,509	**$ 2,502,216**

The accompanying notes and schedules are part of these consolidated financial statements.

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2011

	2011	2010 (Restated - Note 3)
	(in thousands)	
Operating Transactions		
Net Operating Results	$ (313,822)	$ (643,777)
Non-cash items included in Net Operating Results	20,128	34,272
Net Change in Operating Assets and Liabilities	(83,802)	61,086
Cash Applied to Operating Transactions	**(377,496)**	**(548,419)**
Capital Transactions		
Acquisition of Tangible Capital Assets[1]	(15,397)	(19,242)
Transfer of Tangible Capital Assets to Other Ministries[2]	166	-
Proceeds on Disposal of Tangible Capital Assets	60	27
Cash Applied to Capital Transactions	**(15,171)**	**(19,215)**
Investing Transactions		
Proceeds from Repayments of Loans Receivable, Advances and Sale of Properties	217,935	237,756
Loan and Advance Disbursements	(356,977)	(327,053)
Purchase of Investments	(570,396)	(565,718)
Proceeds on Disposal of Investments	371,465	537,466
Cash Applied to Investing Transactions	**(337,973)**	**(117,549)**
Financing Transactions		
Borrowing from the Province of Alberta	1,069,865	299,026
Repayment of Borrowing from the Province of Alberta	(918,687)	(209,356)
Net Financing Provided from General Revenues[1] [2]	665,273	481,159
Cash Provided by Financing Transactions	**816,451**	**570,829**
Increase (Decrease) in Cash and Cash Equivalents	**85,811**	**(114,354)**
Cash and Cash Equivalents at Beginning of Year	**301,252**	**415,606**
Cash and Cash Equivalents at End of Year	**$ 387,063**	**$ 301,252**

The accompanying notes and schedules are part of these consolidated financial statements.

[1] Includes Capital Asset Transfer from Advanced Education and Technology of $1,229 (2010 - $4,307).
[2] Includes Capital Asset Transfer to Sustainable Resource Development of $26 and to Service Alberta of $140.

Notes to the Consolidated Financial Statements

Note 1 Authority and Purpose

The Minister of Agriculture and Rural Development has been designated as responsible for various Acts by the *Government Organization Act* and its regulations. The purpose of the Ministry is to enable the growth of a globally competitive, sustainable agriculture and food industry through essential policy, legislation, information and services.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

These consolidated financial statements are prepared in accordance with Canadian public sector accounting standards.

(a) Reporting Entity

The Minister of Agriculture and Rural Development administers the organizations listed below. The authority under which each organization operates is also listed. Together, these organizations form the Ministry of Agriculture and Rural Development and constitute the reporting entity.

Organization	Authority
Department of Agriculture and Rural Development (the Department)	*Government Organization Act*
Agriculture Financial Services Corporation, including the Crop Reinsurance Fund of Alberta (the Corporation)	*Agriculture Financial Services Act*
The Alberta Livestock and Meat Agency Ltd. (the Agency)	*Alberta Business Corporations Act*

The financial statements for the individual entities provide more detailed information about the operations of each entity.

(b) Method of Consolidation

The accounts of the Department, regulated funds and provincial agencies are consolidated after adjusting them to a basis consistent with the accounting policies described below in (c). Revenue and expense transactions, investing and financing transactions, and related asset and liability accounts between entities within the Ministry have been eliminated.

(c) Basis of Financial Reporting

Revenues - All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year-end is recorded as unearned revenue. Interest revenue on loans receivable is recognized as earned unless the ultimate collection of the loan is in doubt. When a loan is classified as impaired, interest revenue is no longer recognized. An impaired loan is a loan in which there is a risk of loss for full and timely collection of the debt. Impairment may be due to a security deficiency, inadequate cash flow, economic factors in a specific segment of the industry or a catastrophic event.

Premiums from insured persons, including federal government contributions for crop insurance, are recognized as income when invoiced to producers.

Funds collected under various agreements are restricted contributions subject to externally imposed conditions that specify the purpose for which the funds are to be used. Restricted contributions are recognized as revenue in the period in which the related expenses are incurred. Restricted contributions received for future expenses are deferred until that future period when they are transferred to revenue.

Government Transfers - Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return. Internal government transfers are recognized as revenue when received.

Transfers from Government of Canada are recognized as revenues when authorized by federal legislation or federal/provincial agreements, eligibility criteria if any are met and a reasonable estimate of the amounts can be made.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

Expenses

Directly Incurred - Directly incurred expenses are those costs for which the Ministry has primary responsibility and accountability, as reflected in the Government's budget documents.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets.
- pension costs, which are the cost of employer contributions during the year.
- valuation adjustments, which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, loans, guarantees and indemnities.

Grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

Incurred by Others - Services contributed by other entities in support of the Ministry operations are not recognized and are disclosed in Schedule 6 and allocated to programs in Schedule 7.

Assets - Cash consists of deposits in the Consolidated Cash Investment Fund, which is managed by the Minister of Alberta Finance and Enterprise to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital.

Due to the relatively short period to maturity, short-term financial instruments are valued at cost and adjusted for allowance for doubtful accounts, if applicable. The resulting net book value is considered to be equivalent to fair value. This approach applies to cash; accounts receivable; due from Government of Canada; due to Crop Reinsurance Fund of Canada for Alberta; accounts payable and accrued liabilities; and indemnities payable. Allowance for losses on loan guarantees does not have fair value disclosed due to the difficulty in determining the amount. Fair values of investments, and notes and interest payable to the Province of Alberta are disclosed in their respective schedules and notes.

Investments are carried at cost or amortized cost, unless there is an other than temporary decline in the value of the investments, then the investments are written down to recognize the loss. Premiums and discounts on investments are amortized to investment income using the straight-line method over the period to maturity of the related investment. Gains and losses realized on disposal of investments are included in investment income.

Loans made on significant concessionary terms are discounted. The amounts outstanding are discounted to their estimated present value. The amounts discounted are amortized to revenue over the lives of the concessionary terms.

Tangible capital assets of the Ministry are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. Tangible capital assets are restricted to those acquired for cash or exchanged for other assets.

Donated tangible capital assets are recorded at their fair market value at the time of contribution.

Liabilities - Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Net Assets - Net assets represent the difference between the carrying value of assets held by the Ministry and its liabilities.

Measurement Uncertainty (*in thousands*) - Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount.

The allowance for doubtful accounts of $20,014 (2010 – $24,998) for estimated losses on premiums receivable and overpayments is subject to measurement uncertainty. The allowance estimate is based on an assessment of the ability to collect the outstanding balance.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

Loans Receivable - Loans receivable, recorded as $1,397,155 (2010 – $1,264,023) in these financial statements, include a specific allowance of $13,844 (2010 – $7,544) and a general allowance of $16,836 (2010 – $17,135) that are subject to measurement uncertainty. The amount established for specific and general allowances of $30,680 (2010 – $24,679) to cover estimated losses on loans could change substantially in the future, if factors considered by management in establishing these estimates were to change significantly.

Provisions are established for specifically identified potential losses on loans. When a loan is identified as impaired, a specific provision is established. Specific provisions are established by reducing the recorded investment in the loan by the discounted fair value of the security and the estimated costs to collect. Specific provisions are determined in this manner because the amounts and timing of future cash flows cannot be estimated with reasonable reliability. The provision for doubtful accounts is adjusted for the change in the present value of the security held.

In addition to the specific provision, the Ministry establishes a general allowance for doubtful accounts not meeting the specific provision criteria. The general allowance is management's estimate of loss on loan balances based on assessed risk for each account. Risk for each account is determined based on credit risk score, arrears, certain amendments to loan terms and shortfalls of security covering loan balances.

Indemnities Payable - Estimated indemnities payable, recorded as $339,708 (2010 – $486,248) in these financial statements, and corresponding indemnities expense and contributions and receivables from the Government of Canada are subject to measurement uncertainty because they could change significantly in the future, if factors considered by management in establishing the estimates were to change significantly.

Included in estimated indemnities payable are Agri-Invest and Agri-Stability indemnities amounting to $310,422. This includes estimated payments for the 2010 claim year of $220,676 for the vast majority of claims that have not yet been received because the deadline for submission of complete information is after the fiscal year end. The program payments are triggered when the participant's claim-year program margin falls below their support level.

The two factors impacting estimated indemnities payable for the 2010 claim year are the number of participants and estimated program margins. The estimated number of participants for the 2010 claim year is based on the number of farm operations participating in the program during the 2009 claim year. The estimated program margins are based on forecasted changes in eligible income and expenses between 2009 and 2010. Based on historical experience of variability between forecasts and actual results of key assumptions, the estimated indemnities for the 2010 claim year would range from $152,732 to $303,312.

Agri-Invest and Agri-Stability indemnities payable includes estimated payments of $60,769 for claims received but not processed for the 2009 and prior claim years (2010 - $49,605 for the 2008 and prior claim years). The estimates for the 2009 claim year are based on the number of claims received but not yet processed and the estimated average payment per claim.

Agri-Invest and Agri-Stability indemnities payable also includes estimated payments of $3,676 (2010 – $8,943) for related programs. The related programs were approved and entirely funded by the Government of Alberta.

Note 3 Restatement of Prior Year Figures
(in thousands)

Effective April 1, 2010 the Ministry transferred budgetary responsibilities for funding one legal position to the Ministry of Justice and Attorney General. The 2010 comparatives have been restated as if the Ministry had never been assigned responsibility. Expenses for 2009-10 were decreased by $130 and the Net Financing Provided from General Revenues was decreased by $130 resulting in no change in net assets at March 31, 2010.

Net Operating Results, as previously reported at March 31, 2010	$	(643,907)
Plus: Expenses Transferred to the Ministry of Justice and Attorney General		130
Net Operating Results, as restated at April 1, 2010	$	(643,777)

Note 4 Credit and Interest Risk

Credit Risk - Credit risk is the risk that debtors may not pay amounts owing to the Ministry. To manage this risk, the Ministry closely monitors and counsels high-risk accounts, such as beginning and developing agricultural loans. Security requirements proportionate to the degree of risk in each particular operation are also enforced.

The concentration of credit risk for insurance contracts held with reinsurers is monitored through a reinsurance broker who also evaluates the financial condition of each reinsurer. There is no significant reliance on any one reinsurer.

For insurance premiums receivable, a discount is provided for early payment of premiums. Payment arrangements are set for all customers not taking advantage of the offered discount. Outstanding premiums are closely monitored and collection action is taken promptly when required. Insurance contracts cannot be renewed if premiums for the prior year are outstanding at the renewal date.

Interest Risk - Interest rate risk is the impact future interest rate changes have on the financial position of the Ministry. This risk is managed by monitoring the mix of short, medium, and long-term lending and matching with terms of amounts borrowed.

The gaps between the loans receivable and notes and interest payable to the Province of Alberta represent the mismatching of the financing portfolio with that of the loan portfolio at March 31, 2011. The gaps provide an indication of interest rate exposure, or the potential risks to the Ministry if interest rates change.

	Scheduled Repayment [1]				Not Interest Rate	2011	2010
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	Sensitive [2]	Total	Total (Restated)
	(in thousands)						
Loan balances	$ 138,108	$ 410,117	$ 396,789	$ 453,793	$ (1,653)	$ 1,397,154	$ 1,264,022
Yield [3]	5.22%	5.37%	5.61%	5.22%	-	5.39%	5.65%
Rural utilities	$ 1	$ -	$ -	$ -	$ -	$ 1	$ 1
Notes and Interest payable							
to the Province of Alberta	$ 144,425	$ 333,566	$ 613,487	$ 259,294	$ 20,884	$ 1,371,656	$ 1,211,200
Yield [3]	4.34%	4.38%	4.56%	5.06%	-	4.46%	4.80%
Net gap	$ (6,316)	$ 76,551	$ (216,698)	$ 194,499	$ (22,537)	$ 25,499	$ 52,823

[1] For loan balances, scheduled repayments of principal and interest are based on amortization of loans for the remaining term up to maturity at applicable interest rates. For notes payable, scheduled repayments reflect contractual payments of interest and repayment of principal. The interest rates are fixed until maturity. Repayment is either by semi-annual, annual installments or full repayment at maturity of principal.

[2] Includes general provisions, accrued interest, accrued beginning farmer incentive and unamortized loan discount.

[3] Yield represents the rate which discounts future cash receipts to the carrying amount.

Note 5 Contingent Liabilities
(in thousands)

At March 31, 2011, Ministry entities are defendants in four legal claims (2010 – three legal claims). These claims have specified amounts totaling $923 (2010 – $980). Included in the total legal claims is one claim amounting to $500 (2010 – two claims amounting to $800) in which the Ministry has been jointly named with other entities.

The resulting loss, if any, from these claims cannot be determined.

Note 6 Contractual Obligations
(in thousands)

Contractual obligations are obligations of the Ministry to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2011	2010
Obligations under operating leases, contracts and programs	$ 68,747	$ 68,500
Loans and advances approved	90,382	60,587
	$ 159,129	$ 129,087

Estimated payment requirements for each of the next five years and thereafter are as follows:

Obligations Under Operating Leases, Contracts and Programs

	Total
2011-12	$ 60,850
2012-13	5,381
2013-14	1,941
2014-15	545
2015-16	30
	$ 68,747

Loans and advances

	Total
2011-12	$ 90,382
	$ 90,382

Note 7 Guarantees
(in thousands)

	2011	2010	Expiry Date
Feeder Associations	$ 42,263	$ 49,004	Ongoing
Agriculture Financial Services Corporation Guarantees	7,791	12,355	Variable
Rural Utilities Act	104	130	Ongoing
Agricultural Societies Act	-	-	2015
	50,158	61,489	
Allowance for Loan Guarantees	(204)	(972)	
	$ 49,954	$ 60,517	

The majority of loan guarantees relate to loans made by other financial institutions with repayment guaranteed by the Ministry. Prior to issuing a loan, security is taken. The security taken depends on the nature of the loan.

The expiry date shown for guarantees under the *Agricultural Societies Act* is the latest expiry date for guaranteed loans under the program.

Note 8 Trust Funds Under Administration
(in thousands)

The Ministry administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Ministry's financial statements.

As at March 31, 2011 trust funds under administration were as follows:

	2011	2010
4-H General Trust	$ 75	$ 17
Wheat Board Monies Trust Fund	130	134
Claude Gallinger Memorial Trust Fund	21	21
	$ 226	$ 172

Note 9 Benefit Plans
(in thousands)

The Ministry participates in the multi-employer pension plans, Management Employees Pension Plan and the Public Service Pension Plan. The Ministry also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these plans is equivalent to annual contributions of $12,864 for the year ended March 31, 2011 (2010 - $11,383).

At December 31, 2010, the Management Employees Pension Plan reported a deficiency of $397,087 (2009 deficiency - $483,199) and the Public Service Pension Plan reported a deficiency of $2,067,151 (2009 deficiency - $1,729,196). At December 31, 2010, the Supplementary Retirement Plan for Public Service Managers had a deficiency of $39,559 (2009 deficiency - $39,516).

The Ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2011, the Bargaining Unit Plan reported an actuarial deficiency of $4,141 (2010 deficiency – $8,335) and the Management, Opted Out, and Excluded Plan an actuarial surplus of $7,020 (2009 surplus - $7,431). The expense for these two plans is limited to employer's annual contributions for the year.

Note 10 Comparative Figures

Certain 2010 figures have been reclassified to conform to the 2011 presentation.

Note 11 Budget

The 2010-2011 Government and Lottery Fund Estimates were approved on March 25, 2010.

Note 12 Approval of the Consolidated Financial Statements

The consolidated financial statements were approved by the Senior Financial Officer and the Deputy Minister.

Schedule 1

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED SCHEDULE OF EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT

YEAR ENDED MARCH 31, 2011

	2011 Budget	2011 Actual	2010 Actual (Restated - Note 3)
		(in thousands)	
Grants	$ 166,513	$ 165,510	$ 169,249
Indemnities	619,680	543,789	927,056
Salaries, Wages, Employment Contracts and Benefits	155,039	141,646	138,272
Interest	64,562	53,993	51,489
Supplies and Services	66,826	56,146	58,421
Amortization of Tangible Capital Assets	14,254	13,202	12,155
Other Expenses	28,040	25,169	25,143
Valuation Adjustments	4,761	5,080	20,860
Total	$ 1,119,675	$ 1,004,535	$ 1,402,645

Schedule 2

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED SCHEDULE OF LOANS RECEIVABLE

YEAR ENDED MARCH 31, 2011

	2011	2010
	(in thousands)	
Loans Receivable	$ 1,403,324	$ 1,265,654
Accrued Interest	24,774	24,086
	1,428,098	1,289,740
Less Allowance for Doubtful Accounts	(30,680)	(24,679)
Less Accrued Incentives	-	(661)
Less Loan Discounts	(263)	(377)
	$ 1,397,155	$ 1,264,023

Fair values of loans receivable are not disclosed. Determining fair values with sufficient reliability is not practical due to the absence of verifiable information from established financial markets for such loans.

The allowance for doubtful accounts of $30,680 (2010 – $24,679) includes a specific allowance of $13,844 (2010 – $7,544) on impaired loans outstanding of $27,487 (2010 - $13,501), excluding unamortized loan discount.

Schedule 3

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED SCHEDULE OF INVESTMENTS

YEAR ENDED MARCH 31, 2011
(in thousands)

	2011	2010
Bonds and Debentures		
Government of Canada, direct and guaranteed	$ 384,414	$ 135,757
Other provincial, direct and guaranteed	94,534	180,247
	478,948	316,004
Corporate Securities	217,544	175,209
	696,492	491,213
Accrued interest	4,979	5,351
	$ 701,471	$ 496,564

	Term to Maturity				
	Within 1 Year	1 to 5 Years	6 to 10 Years	2011 Total	2010 Total
Bonds and Debentures	$ 7,421	$ 429,250	$ 42,277	$ 478,948	$ 316,004
Yield	1.28%	2.09%	3.47%	2.20%	2.70%
Corporate Securities	50,983	166,561	-	217,544	175,209
Yield	1.76%	3.30%	-	2.94%	2.55%
	58,404	595,811	42,277	696,492	491,213
Accrued Interest	835	4,038	106	4,979	5,351
	$ 59,239	$ 599,849	$ 42,383	$ 701,471	$ 496,564

The fair value of investments at March 31, 2011 is $698,705 (2010 - $503,384). Fair value is based on quoted market prices including accrued interest.

Schedule 4

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

YEAR ENDED MARCH 31, 2011

(in thousands)

	Land	Buildings	Equipment and Vehicles	Computer Hardware and Software	Rail Hopper Cars	Leasehold Improvements	2011 Total	2010 Total
Estimated Useful Life	**Indefinite**	**25 - 40 years**	**5 - 10 years**	**2 - 10 years**	**35 years**	**5 years**		
Historical Costs [1]								
Beginning of year	$ 347	$ 11,765	$ 52,875	$ 80,221	$ 49,559	$ 133	$ 194,900	$ 181,399
Additions	-	50	4,377	10,970	-	-	15,397	19,242
Disposals	-	-	(920)	(2,354)	-	-	(3,274)	(5,741)
	$ 347	$ 11,815	$ 56,332	$ 88,837	$ 49,559	$ 133	$ 207,023	$ 194,900
Accumulated Amortization								
Beginning of year	$ -	$ 3,660	$ 26,322	$ 39,130	$ 41,203	$ 20	$ 110,335	$ 103,877
Amortization expense	-	410	3,970	7,381	1,415	26	13,202	12,155
Effect of disposals	-	-	(881)	(2,187)	-	-	(3,068)	(5,697)
	$ -	$ 4,070	$ 29,411	$ 44,324	$ 42,618	$ 46	$ 120,469	$ 110,335
Net Book Value at March 31, 2011	$ 347	$ 7,745	$ 26,921	$ 44,513	$ 6,941	$ 87	$ 86,554	
Net Book Value at March 31, 2010	$ 347	$ 8,105	$ 26,553	$ 41,091	$ 8,356	$ 113		$ 84,565

[1] Historical cost includes work-in-progress at March 31, 2011 totaling $9,216 comprised of: equipment $5,614 (2010 - $5,318) and computer hardware and software $3,602 (2010 - $5,497). This has not been amortized during the period.

Schedule 5

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED SCHEDULE OF NOTES AND INTEREST PAYABLE

YEAR ENDED MARCH 31, 2011
(in thousands)

Notes and interest payable to the Province of Alberta by the Ministry are comprised of the following:

Remaining Term to Maturity	Effective Interest Rate	2011	Effective Interest Rate	2010
Within 1 year	0.89% - 4.13%	$ 105,000	0.22% - 5.93%	$ 291,063
1 to 5 years	2.06% - 7.64%	275,797	2.06% - 7.64%	273,998
6 to 10 years	3.58% - 5.93%	710,681	3.58% - 5.93%	375,239
Over 10 years	4.90% - 4.97%	259,294	4.90% - 4.97%	259,294
Accrued Interest		13,660		12,709
Unamortized discount		7,224		(1,103)
		$ 1,371,656		$ 1,211,200

Notes payable are carried at amortized cost. Premiums and discounts on notes payable are amortized to interest expense using the effective yield method over the period to maturity.

The approximate fair value at March 31, 2011 is $1,419,451 (2010 - $1,260,342). Fair value is an approximation of market value to the holder.

Scheduled principal repayments in each of the next five years are as follows:

Year ending March 31,	2012	$ 84,425
	2013	96,053
	2014	83,393
	2015	45,479
	2016	108,642
		$ 417,992

Schedule 6

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED SCHEDULE OF RELATED PARTY TRANSACTIONS

YEAR ENDED MARCH 31, 2011

(in thousands)

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Ministry.

The Ministry and its employees paid certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Ministry had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties.

	2011	2010
Revenues:		
Grants	$ 20,720	$ 20,720
Other	933	582
	$ 21,653	$ 21,302
Expenses - Directly Incurred:		
Grants	$ 11,398	$ 14,213
Accommodation	805	826
Other services	4,691	4,472
Interest	53,093	51,489
	$ 69,987	$ 71,000
Tangible Capital Assets Transferred In (Out)		
Ministry of Advanced Education and Technology	$ 1,229	$ 4,307
Ministry of Service Alberta	(140)	-
Ministry of Sustainable Resource Development	(26)	-
	$ 1,063	$ 4,307
Payable to		
Ministry of Advanced Education and Technology	4,351	4,281
Receivable from		
Ministry of Advanced Education and Technology	37	128
Ministry of International and Intergovernmental Relations	29	-
	$ 4,417	$ 4,409

The Ministry also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statetments but are disclosed in Schedule 7.

	2011	2010
Expenses incurred by others:		
Accommodation	$ 21,243	$ 22,264
Legal	952	708
Other services	4,672	7,304
	$ 26,867	$ 30,276

Note: The Ministry receives services under contracts managed by the Ministry of Service Alberta. Any commitments under these contracts are reported by the Ministry of Service Alberta.

Schedule 7

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

CONSOLIDATED SCHEDULE OF ALLOCATED COSTS

YEAR ENDED MARCH 31, 2011

(in thousands)

	2011										2010
		Expenses - Incurred by Others						Valuation Adjustments [8]			
Program	Expenses[1]	Accommodation Costs [2]	Legal Services [3]	Service Alberta[4]	Air Transportation[5]	Corporate Internal Audit Services[6]	Learning Centre[7]	Vacation Pay	Doubtful Accounts	Total Expenses	Total Expenses (Restated - Note 3)
Agriculture income support	$ 173,943	$ 36	$ -	$ -	$ -	$ -	$ -	$ -	$ (2,474)	$ 171,505	$ 374,910
Lending	24,717	646	-	-	-	-	-	-	7,287	32,650	33,519
Insurance	449,722	1,061	-	-	-	-	-	-	39	450,822	644,156
Farm Fuel Distribution Allowance	30,614	-	-	-	-	-	4	29	-	30,647	33,173
Policy and Environment	41,568	5,046	149	-	-	-	11	83	(2)	46,855	42,248
Rural Development and Regulatory Services	37,685	2,366	204	-	-	-	5	(70)	-	40,190	31,910
Industry Development and Food Safety	111,158	10,129	496	-	-	-	21	151	(2,247)	119,708	118,350
Livestock and Meat Strategy	37,129	-	-	-	-	-	-	-	-	37,129	48,892
Infrastructure assistance	24,000	-	-	-	-	-	-	-	-	24,000	29,049
Ministry support services	14,926	1,959	103	4,478	108	45	-	-	1	21,620	25,206
	$ 945,462	$ 21,243	$ 952	$ 4,478	$ 108	$ 45	$ 41	$ 193	$ 2,604	$ 975,126	$ 1,381,413

[1] Expenses - Directly incurred per Consolidated Statements of Operations, excluding valuation adjustments and debt servicing costs.

[2] Costs shown for Accommodation (includes grants in lieu of taxes) on Schedule 6, allocated by budgeted full-time equivalent employment.

[3] Costs shown for Legal Services on Schedule 6, allocated by estimated costs incurred by each program.

[4] Costs shown for Service Alberta on Schedule 6, allocated by estimated costs incurred by each program.

[5] Costs shown for Air Transportation on Schedule 6, allocated by estimated costs incurred by each program.

[6] Costs shown for Corporate Internal Audit Services on Schedule 6, allocated by estimated costs incurred by each program.

[7] Costs shown for Learning Centre on Schedule 6, allocated by budgeted full-time equivalent employment.

[8] Valuation Adjustments as per Statements of Operations. Provision for Doubtful Accounts and Provision for Vacation Pay included in Valuation Adjustments were allocated as follows:

- Vacation Pay - allocated to the program by employee.
- Provision for Doubtful Accounts - estimated allocation to program.

Department of Agriculture and Rural Development

Financial Statements
Year Ended March 31, 2011

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2011

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AUDITOR GENERAL *Alberta*

Independent Auditor's Report

To the Minister of Agriculture and Rural Development

Report on the Financial Statements

I have audited the accompanying financial statements of the Department of Agriculture and Rural Development, which comprise the statement of financial position as at March 31, 2011, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department of Agriculture and Rural Development as at March 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, CA]

Auditor General

June 2, 2011

Edmonton, Alberta

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2011

	2011 Budget (Schedule 4)	2011 Actual	2010 Actual (Restated - Note 3)
		(in thousands)	
Revenues (Schedule 1)			
Internal Government Transfers	$ 20,720	$ 20,720	$ 20,720
Transfers from the Government of Canada	51,614	36,311	22,332
Premiums, Fees and Licenses	1,949	1,603	1,538
Other Revenue	6,342	10,489	9,699
	80,625	**69,123**	**54,289**
Expenses - Directly Incurred (Note 2(b) and Schedule 8)			
Voted (Schedules 3 and 5)			
Ministry Support Services	16,230	14,926	15,668
Policy and Environment	73,698	65,568	65,677
Rural Development and Regulatory Services	26,803	37,685	29,142
Industry Development and Food Safety	121,697	116,307	107,946
Livestock and Meat Strategy	39,100	29,462	33,882
Agriculture Assistance			-
Lending	10,403	10,403	7,178
Insurance	191,481	190,786	169,283
Wildlife	2,876	5,295	3,634
Income Stabilization	128,911	77,016	160,120
Farm Fuel Distribution Allowance	33,500	30,614	33,173
	644,699	**578,062**	**625,703**
Statutory (Schedules 3 and 5)			
Valuation Adjustments			
Write-offs and Losses	-	2,283	19
Provision for Vacation Pay	-	193	442
Provision for Doubtful Accounts	-	(2,248)	(36)
	-	228	425
	644,699	**578,290**	**626,128**
Loss on Disposal of Tangible Capital Assets	-	(17)	(14)
Net Operating Results	**$(564,074)**	**$(509,184)**	**$(571,853)**

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2011

	2011	2010 (Restated - Note 3)
	(in thousands)	
Assets		
Cash and Cash Equivalents	$ 184	$ 299
Accounts Receivable (Note 4)	33,075	23,019
Loans and Advances (Note 5)	2	2
Tangible Capital Assets (Note 6)	36,032	37,683
	$ 69,293	**$ 61,003**
Liabilities		
Accounts Payable and Accrued Liabilities (Note 7)	$ 67,262	$ 214,738
Unearned Revenue	3,705	4,028
	70,967	**218,766**
Net Liabilities		
Net Liabilities at Beginning of Year	(157,763)	(67,069)
Net Operating Results	(509,184)	(571,853)
Net Financing Provided from General Revenues	665,273	481,159
Net Liabilities at End of Year	(1,674)	(157,763)
	$ 69,293	**$ 61,003**

Contractual obligations and contingent liabilities (Notes 8 and 9)

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2011

	2011	2010 (Restated - Note 3)
	(in thousands)	
Operating Transactions		
Net Operating Results	$ (509,184)	$ (571,853)
Non-cash items included in Net Operating Results		
Amortization	5,531	5,404
Valuation Adjustments	228	425
Loss on Disposal of Tangible Capital Assets	17	14
	(503,408)	**(566,010)**
Increase in Accounts Receivable	(10,091)	(5,283)
(Decrease) Increase in Accounts Payable and Accrued Liabilities	(147,669)	97,976
Decrease in Unearned Revenue	(323)	(567)
Cash Applied to Operating Transactions	**(661,491)**	**(473,884)**
Capital Transactions		
Acquisition of Tangible Capital Assets[1]	(4,066)	(7,246)
Transfer of Tangible Capital Assets to Other Ministries[2]	166	-
Proceeds on Disposal of Tangible Capital Assets	3	12
Cash Applied to Capital Transactions	**(3,897)**	**(7,234)**
Financing Transactions		
Net Financing Provided from General Revenues[1] [2]	665,273	481,159
Cash Provided by Financing Transactions	**665,273**	**481,159**
(Decrease) Increase in Cash and Cash Equivalents	**(115)**	**41**
Cash and Cash Equivalents at Beginning of Year	**299**	**258**
Cash and Cash Equivalents at End of Year	**$ 184**	**$ 299**

The accompanying notes and schedules are part of these financial statements.

[1] Includes Capital Asset Transfer from Advanced Education and Technology of $1,229 (2010 - $4,307).
[2] Includes Capital Asset Transfer to Sustainable Resource Development of $26 and to Service Alberta of $140.

Notes to the Financial Statements

Note 1 Authority and Purpose

The Department of Agriculture and Rural Development operates under the authority of the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000. The purpose of the Department is to enable the growth of a globally competitive, sustainable agriculture and food industry through essential policy, legislation, information and services in partnership with vibrant rural communities.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with Canadian public sector accounting standards.

(a) Reporting Entity

The reporting entity is the Department of Agriculture and Rural Development, which is part of the Ministry of Agriculture and Rural Development for which the Minister of Agriculture and Rural Development is accountable. Other entities reporting to the Minister are Agriculture Financial Services Corporation and Alberta Livestock and Meat Agency Ltd. The activities of these organizations are not included in these financial statements. The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Minister of Finance and Enterprise. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net Financing Provided from General Revenues is the difference between all cash receipts and all cash disbursements made.

(b) Basis of Financial Reporting

Revenues - All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Internal Government Transfers - Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return. Internal government transfers are recognized as revenue when received.

Transfers from Government of Canada - Transfers from Government of Canada are recognized as revenue when authorized by federal legislation or federal/provincial agreements, eligibility criteria if any are met and a reasonable estimate of the amounts can be made.

Credit or Recovery – Credit or Recovery initiatives provide a basis for authorized spending. Credits or Recoveries are shown in the details of the Government Estimates for a supply vote. If budgeted revenues are not fully realized, spending is reduced by an equivalent amount. If actual credit or recovery amounts exceed budget, the Department may, with the approval of the Treasury Board Committee, use the excess revenue to fund additional expenses on the program. Schedule 2 discloses information on the Department's credit or recovery initiatives.

Expenses

Directly Incurred - Directly incurred expenses are those costs the Department has primary responsibility and accountability for, as reflected in the Government's budget documents.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets.
- pension costs, which are the cost of employer contributions for current service of employees during the year.
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees, and indemnities.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

Grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

Incurred by Others - Services contributed by other entities in support of the Department operations are not recognized and are disclosed in Schedule 7 and allocated to programs in Schedule 8.

Assets - Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the Department are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Assets acquired by right are not included. Tangible capital assets of the Department are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $250,000 and the threshold for major system enhancements is $100,000. The threshold for all other tangible capital assets is $5,000. All land is capitalized.

Donated tangible capital assets are recorded at their fair market value at the time of contribution.

Liabilities - Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Net Liabilities - Net liabilities represent the difference between the carrying value of assets held by the Department and its liabilities.

Measurement Uncertainty (*in thousands*) - Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount.

These financial statements include the Department's contribution of $77,016 to Agriculture Financial Services Corporation for the Department's share of program payments under the Agri-Invest, Agri-Stability and Agri- Recovery programs that is subject to measurement uncertainty. The Department's contribution for these programs could change substantially in the future, if factors considered by management in establishing the estimates were to change significantly.

Included in the Department's contribution toward the cost of the Agri-Invest and Agri-Stability programs are estimated contributions for the 2010 claim year of $102,620 for the vast majority of claims that have not yet been received because the deadline for submission of complete information is after the end of the fiscal year. These program payments are triggered when the participant's claim-year program margin falls below their support level.

The two factors impacting estimated indemnities payable for the 2010 claim year are the number of participants and estimated program margins. The estimated number of participants for the 2010 claim year is based on the number of farm operations participating in the program during the 2009 claim year. The estimated program margins are based on forecasted changes in eligible income and expenses and inventories between 2009 and 2010. Based on historical experience of variability between forecasts and actual results of key assumptions, the estimated indemnities for the 2010 claim year would range from $72,403 to $135,674.

The Department's contribution includes estimated contributions of $25,705 for claims received but not processed for the 2009 and prior claim years (2010 - $28,375 for the 2008 and prior claim years). The estimates for the 2009 claim year are based on the number of claims received but not yet processed and the estimated average payment per claim.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash and cash equivalents, accounts receivable, loans and advances and accounts payable and accrued liabilities are estimated to approximate their carrying values because of the short term nature of these instruments. Fair values of loans are not reported due to there being no organized financial market for the instruments and it is not practicable within constraints of timeliness or cost to estimate the fair value with sufficient reliability.

Note 3 Restatement of Prior Year Figures
(in thousands)

Effective April 1, 2010 the Department transferred budgetary responsibilities for funding one legal position to the Department of Justice and Attorney General. The 2010 comparatives have been restated as if the Department had never been assigned responsibility. Expenses for 2009-10 were decreased by $130 and the Net Financing Provided from General Revenues was decreased by $130 resulting in no change in net assets at March 31, 2010.

Net Operating Results, as previously reported at March 31, 2010	$ (571,983)
Plus: Expenses Transferred to the Department of Justice and Attorney General	130
Net Operating Results, as restated at April 1, 2010	$ (571,853)

Note 4 Accounts Receivable
(in thousands)

	Gross Amount	2011 Allowance for Doubtful Accounts	Net Realizable Value	2010 Net Realizable Value
Accounts receivable	$ 33,752	$ 910	$ 32,842	$ 23,016
Refunds from suppliers	233	-	233	3
	$ 33,985	$ 910	$ 33,075	$ 23,019

Accounts receivable are unsecured and non-interest bearing.

Note 5 Loans and Advances
(in thousands)

	Gross Amount	2011 Allowance for Doubtful Accounts	Net Realizable Value	2010 Net Realizable Value
Travel Advances	$ 1	$ -	$ 1	$ 1
Loans Receivable	1	-	1	1
	$ 2	$ -	$ 2	$ 2

Note 6 Tangible Capital Assets
(in thousands)

	Buildings	Equipment and Vehicles	Computer Hardware and Software	Rail Hopper Cars	2011 Total	2010 Total
Estimated Useful Life	40 years	5 - 10 years	3 - 5 years	35 years		
Historical [1]						
Beginning of year	$ 1,739	$ 46,376	$ 8,163	$ 49,559	$ 105,837	$ 98,800
Additions	-	2,929	1,137	-	4,066	7,246
Disposals	-	(787)	(211)	-	(998)	(209)
	$ 1,739	$ 48,518	$ 9,089	$ 49,559	$ 108,905	$ 105,837
Accumulated Amortization						
Beginning of year	$ 348	$ 23,115	$ 3,488	$ 41,203	$ 68,154	$ 62,933
Amortization expense	44	3,270	802	1,415	5,531	5,404
Effect of disposals	-	(748)	(64)	-	(812)	(183)
	$ 392	$ 25,637	$ 4,226	$ 42,618	$ 72,873	$ 68,154
Net Book Value at March 31, 2011	$ 1,347	$ 22,881	$ 4,863	$ 6,941	$ 36,032	
Net Book Value at March 31, 2010	$ 1,391	$ 23,261	$ 4,675	$ 8,356		$ 37,683

[1] Historical cost includes work-in-progress at March 31, 2011 totaling $8,211 comprised of: equipment $5,614 (2010 - $5,318) and computer hardware and software $2,597 (2010 - $2,110).

This has not been amortized during the period.

Note 7 Accounts Payable and Accrued Liabilities
(in thousands)

	2011	2010
Accounts Payable – General	$ 1,962	$ 4,654
Manpower	15,131	11,265
Grants	45,689	195,220
Allowance for Loan Guarantees	4	4
Supplies and Services and Capital Purchases	4,476	3,595
	$ 67,262	$ 214,738

Note 8 Contractual Obligations
(in thousands)

Contractual obligations are obligations of the Department to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2011	2010
Obligations under operating leases, contracts and programs	$ 18,119	$ 20,674
	$ 18,119	$ 20,674

Estimated payment requirements for each of the next five years and thereafter are as follows:

Obligations Under Operating Leases, Contracts and Programs

	Total
2011-12	$ 15,580
2012-13	2,132
2013-14	279
2014-15	113
2015-16	15
	$ 18,119

Note 9 Contingent Liabilities
(in thousands)

At March 31, 2011, the Department is a defendant in two legal claims (2010 – two legal claims). These claims have specified amounts totaling $726 (2010 – $800). Included in the total legal claims is one claim amounting to $500 (2010 – two claims amounting to $800) in which the Department has been jointly named with other entities.

The resulting loss, if any, from these claims cannot be determined.

Note 10 Guarantees
(in thousands)

	2011	2010	Expiry Date
Feeder Associations	$ 42,263	$ 49,004	Ongoing
Rural Utilities Act	104	130	Ongoing
Agricultural Societies Act	-	-	2015
	42,367	49,134	
Allowance for Loan Guarantees	(4)	(4)	
	$ 42,363	$ 49,130	

Guarantee programs and their limits are established under the following Acts:

- *Feeder Associations Guarantee Act* (authorized guarantee limit set by Order in Council is $55 million)
- *Rural Utilities Act* (authorized guarantee limit set by statute is $50 million)
- *Agricultural Societies Act* (authorized guarantee limit set by statute is $50 million)

The lender takes appropriate security prior to issuing a loan to the borrower, which is guaranteed by the Province. The security taken depends on the nature of the loan. Interest rates are negotiated with the lender by the borrower.

The expiry date shown for guarantees under the Agricultural Societies Act is the latest expiry date for guaranteed loans under the program.

Note 11 Trust Funds Under Administration
(in thousands)

The Department administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Department's financial statements.

As at March 31, 2011 trust funds under administration were as follows:

	2011	2010
4-H General Trust	$ 75	$ 17
Wheat Board Monies Trust Fund	130	134
Claude Gallinger Memorial Trust Fund	21	21
	$ 226	$ 172

Note 12 Benefit Plans
(in thousands)

The Department participates in the multi-employer Management Employees Pension Plan and Public Service Pension Plan. The Department also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $8,485 for the year ended March 31, 2011 (2010 – $7,594).

At December 31, 2010, the Management Employees Pension Plan reported a deficiency of $397,087 (2009 deficiency - $483,199) and the Public Service Pension Plan reported a deficiency of $2,067,151 (2009 deficiency - $1,729,196). At December 31, 2010, the Supplementary Retirement Plan for Public Service Managers had a deficiency of $39,559 (2009 deficiency - $39,516).

The Department also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2011, the Bargaining Unit Plan reported an actuarial deficiency of $4,141 (2010 deficiency - $8,335) and the Management, Opted Out and Excluded Plan an actuarial surplus of $7,020 (2010 surplus - $7,431). The expense for these two plans is limited to the employer's annual contributions for the year.

Note 13 Comparative Figures

Certain 2010 figures have been reclassified to conform to the 2011 presentation.

Note 14 Approval of the Financial Statements

The financial statements were approved by the Senior Financial Officer and the Deputy Minister.

Schedule 1

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

SCHEDULE TO FINANCIAL STATEMENTS

REVENUES

YEAR ENDED MARCH 31, 2011

	2011 Budget	2011 Actual (in thousands)	2010 Actual
Internal Government Transfers			
Transfers from the Lottery Fund	$ 20,720	$ 20,720	$ 20,720
Transfers from the Government of Canada			
BSE Surveillance	2,000	1,802	1,746
Growing Forward	40,441	33,231	18,158
AgriFlex	9,173	1,084	-
SRM Disposal	-	-	1,495
Other	-	194	933
	51,614	36,311	22,332
Other Revenue			
Project Contributions	4,747	7,725	6,166
Rail Hopper Car Revenue	700	1,222	460
Green Certificate and Home Study	550	450	274
Publications	225	185	245
Refunds of Expenditures			
Previous Years	-	518	1,673
Surplus Sales	-	6	20
Miscellaneous	120	383	861
	6,342	10,489	9,699
Premiums, Fees and Licenses			
Food Processing Centre Fees	750	867	864
Livestock Water Program	140	148	209
Meat Services	188	136	151
Other	871	452	314
	1,949	1,603	1,538
	$ 80,625	$ 69,123	$ 54,289

Schedule 2

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

SCHEDULE TO FINANCIAL STATEMENTS

CREDIT OR RECOVERY

YEAR ENDED MARCH 31, 2011

	2011		
	Authorized	Actual (in thousands)	(Shortfall)/ Excess
Ministry Support Services	$ 249	$ 215	$ (34)
Policy and Environment	17,888	10,736	(7,152)
Rural Development and Regulatory Services	584	595	11
Industry Development and Food Safety	38,309	33,540	(4,769)
	$ 57,030	$ 45,086	$ (11,944) [1]

Ministry Support Services credit or recovery initiatives include fees for sale of publications.

Policy and Environment credit or recovery initiatives include federal revenue under the Growing Forward Agreement ($8,388), Agriflex ($949), Irrigation and Farm Water Program ($734) Agriculture Stewardship ($596) and external contributions to projects and initiatives ($69).

Rural Development and Regulatory Services credit or recovery initiatives include fees for Rural Utilities ($123) and Regulatory Services ($472).

Industry Development and Food Safety credit or recovery initiatives include federal revenue under the Growing Forward Agreement ($24,887), Agriflex ($136), Food Safety ($531), Ag Research ($5,419), Food Processing Development fees ($867), Rural Programs and Services ($450), Bio-Industrial Technologies ($518) and external contributions to projects and initiatives ($732).

The revenue of each initiative is included in the Statement of Operations.

Treasury Board approval is pursuant to Section 24 (2) of the *Financial Administration Act*. Only expenditures are authorized.

[1] Shortfall is deducted from current year's authorized budget, as disclosed in Schedules 4 and 5 to the financial statements.

Schedule 3

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

SCHEDULE TO FINANCIAL STATEMENTS

EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT

YEAR ENDED MARCH 31, 2011

	2011 Budget	2011 Actual	2010 Actual (Restated - Note 3)
	(in thousands)		
Voted:			
Salaries, Wages and Employee Benefits	$ 91,705	$ 89,300	$ 87,201
Supplies and Services	37,831	31,071	33,523
Grants	508,343	452,038	499,384
Financial Transactions and Other	120	122	191
Amortization of Tangible Capital Assets	6,700	5,531	5,404
Total Voted Expenses	$ 644,699	$ 578,062	$ 625,703
Statutory:			
Valuation adjustments			
Write-offs and Losses	$ -	$ 2,283	$ 19
Provision for Vacation Pay	-	193	442
Provision for Doubtful Accounts	-	(2,248)	(36)
	$ -	$ 228	$ 425

Schedule 4

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

SCHEDULE TO FINANCIAL STATEMENTS

BUDGET

YEAR ENDED MARCH 31, 2011

	2010-11 Estimates		Adjustment (a) (in thousands)	2010-11 Authorized Budget
Revenues:				
Internal Government Transfers	$ 20,720		$ -	$ 20,720
Transfers from the Government of Canada	51,614		-	51,614
Premiums, Fees and Licenses	1,949	(1)	-	1,949
Other Revenue	6,342	(1)	-	6,342
	80,625		-	80,625
Expenses - Directly Incurred:				
Voted Expenses				
Ministry Support Services	16,230		-	16,230
Policy and Environment	107,198		-	107,198
Rural Development and Regulatory Services	26,803		-	26,803
Industry Development and Food Safety	121,697		-	121,697
Agriculture Insurance and Lending Assistance	333,671		-	333,671
Livestock and Meat Strategy	39,100		-	39,100
Credit or Recovery Shortfall (Schedule 2)	-		(11,944)	(11,944)
	644,699		(11,944)	632,755
Net Operating Results	$ (564,074)		$ 11,944	$ (552,130)
Equipment/Inventory Purchases	$ 1,296		$ -	$ 1,296

(a) Adjustments include credit or recovery shortfalls.
Treasury Board approval is pursuant to Section 24 (2) of the *Financial Administration Act*.

(1) A total of $1,290 was reclassified from Other Revenue to Premiums, Fees and Licenses for financial statement purposes to ensure consistency with actual revenues.

Schedule 5

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

SCHEDULE TO FINANCIAL STATEMENTS
COMPARISON OF EXPENSES - DIRECTLY INCURRED, EQUIPMENT/INVENTORY PURCHASES (EIP) AND CAPITAL INVESTMENT, STATUTORY EXPENSES BY ELEMENT TO AUTHORIZED BUDGET

YEAR ENDED MARCH 31, 2011

Voted Expenses and Capital Investments		2010-11 Estimates	Adjustments (a)	2010-11 Authorized Budget	2010-11 Actual Expenses	Unexpended (Over Expended)
				(in thousands)		
1.0	Ministry Support Services					
1.0.1	Minister's Office	$ 519	$ -	$ 519	$ 521	$ (2)
1.0.2	Deputy Minister's Office	671	-	671	675	(4)
1.0.3	Farmers' Advocate	846	-	846	860	(14)
1.0.4	Corporate Services					
	- Expense	12,005	-	12,005	11,100	905
	- EIP	100	-	100	409	(309)
1.0.5	Communications	478	-	478	364	114
1.0.6	Human Resources	1,711	-	1,711	1,407	304
	Total Program	16,330	-	16,330	15,336	994
2.0	Policy and Environment					
2.0.1	Program Support	2,598	-	2,598	2,490	108
2.0.2	Marketing Council	869	-	869	880	(11)
2.0.3	Alberta Grain Commission	226	-	226	268	(42)
2.0.4	Economics and Competitiveness	3,898	-	3,898	3,587	311
2.0.5	Policy, Strategy and Intergovernmental Affairs					
	- Expense	7,587	-	7,587	7,174	413
	- EIP	-	-	-	474	(474)
2.0.6	Resource Integration	745	-	745	185	560
2.0.7	Irrigation and Farm Water					
	- Expense	14,847	-	14,847	10,388	4,459
	- EIP	200	-	200	31	169

Voted Expenses and Capital Investments	2010-11 Estimates	Adjustments (a)	2010-11 Authorized Budget (in thousands)	2010-11 Actual Expenses	Unexpended (Over Expended)
2.0.8 Environmental Stewardship					
- Expense	18,928	-	18,928	16,595	2,333
- EIP	-	-	-	108	(108)
2.0.9 Irrigation Infrastructure Assistance	24,000	-	24,000	24,000	-
2.0.10 Farm Fuel Distribution Allowance	33,500	-	33,500	30,614	2,886
Total Program	107,398	-	107,398	96,794	10,604
3.0 Rural Development and Regulatory Services					
3.0.1 Program Support	422	-	422	366	56
3.0.2 Rural Development	11,594	-	11,594	21,010	(9,416)
3.0.3 Rural Utilities	6,087	-	6,087	6,397	(310)
3.0.4 Regulatory Services	8,700	-	8,700	9,912	(1,212)
Total Program	26,803	-	26,803	37,685	(10,882)
4.0 Industry Development and Food Safety					
4.0.1 Program Support	4,230	-	4,230	3,167	1,063
4.0.2 Food Chain Traceability					
- Expense	5,774	-	5,774	8,476	(2,702)
- EIP	-	-	-	197	(197)
4.0.3 Agriculture Research					
- Expense	14,268	-	14,268	16,211	(1,943)
- EIP	350	-	350	616	(266)
4.0.4 Food Processing Development					
- Expense	5,113	-	5,113	5,364	(251)
- EIP	266	-	266	461	(195)
4.0.5 Bio-Industrial Technologies					
- Expense	2,392	-	2,392	3,124	(732)
- EIP	-	-	-	108	(108)
4.0.6 Food Safety and Animal Health					
- Expense	22,565	-	22,565	18,200	4,365
- EIP	380	-	380	433	(53)
4.0.7 Surveillance Support	8,145	-	8,145	5,910	2,235

		2010-11 Estimates	Adjustments (a)	2010-11 Authorized Budget	2010-11 Actual Expenses	Unexpended (Over Expended)
				(in thousands)		
Voted Expenses and Capital Investments						
4.0.8	Rural Extension and Industry Development	38,490	-	38,490	35,132	3,358
4.0.9	Agricultural Service Boards					
	- Expense	-	-	-	8	(8)
	- Expense funded by Lotteries	10,600	-	10,600	10,595	5
4.0.10	Agricultural Societies					
	- Expense funded by Lotteries	8,670	-	8,670	8,670	-
4.0.11	Agriculture Initiatives					
	- Expense funded by Lotteries	1,450	-	1,450	1,450	-
	Total Program	122,693	-	122,693	118,122	4,571
5.0	Agriculture Insurance and Lending Assistance					
5.0.1	Lending Assistance	10,403	-	10,403	10,403	-
5.0.2	Production Insurance	191,481	-	191,481	190,786	695
5.0.3	Wildlife Damage	2,876	-	2,876	5,295	(2,419)
5.0.4	AgriStability	128,911	-	128,911	32,491	96,420
5.0.6	AgriRecovery	-	-	-	44,525	(44,525)
	Total Program	333,671	-	333,671	283,500	50,171
6.0	Livestock and Meat Strategy					
6.0.1	Assistance to the Alberta Livestock and Meat Agency	39,100	-	39,100	29,462	9,638
	Total Program	39,100	-	39,100	29,462	9,638
	Credit or Recovery Shortfall (Schedule 2)		(11,944)	(11,944)	-	(11,944)
		$ 645,995	$ (11,944)	$ 634,051	$ 580,899	$ 53,152
	Expense	$ 623,979	$ (11,944)	$ 612,035	$ 557,347	$ 54,688
	Expense funded by Lotteries	20,720	-	20,720	20,715	5
		644,699	(11,944)	632,755	578,062	54,693
	Equipment/Inventory Purchases	1,296	-	1,296	2,837	(1,541)
		$ 645,995	$ (11,944)	$ 634,051	$ 580,899	$ 53,152
Statutory Expenses:						
	Valuation Adjustments	$ -	$ -	$ -	$ 228	$ (228)

(a) Adjustments include credit or recovery shortfalls.
Treasury Board approval is pursuant to Section 24 (2) of the *Financial Administration Act*.

Schedule 6

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

SCHEDULE TO FINANCIAL STATEMENTS

SALARY AND BENEFITS DISCLOSURE

YEAR ENDED MARCH 31, 2011

	2011				2010
	Base Salary [1]	Other Cash Benefits [2]	Other Non-Cash Benefits [3]	Total	Total
Department					
Deputy Minister [4]	$ 264,576	$ 15,942	$ 47,546	$328,064	$330,752
Assistant Deputy Ministers					
Policy and Environment	185,472	1,750	45,139	232,361	228,843
Industry Development and Food Safety	175,572	1,750	46,467	223,789	219,582
Rural, Regulatory, Information and Technology [5]	65,745	1,750	17,999	85,494	-
Executive Directors					
Business Services and Rural Utilities [5]	84,899	-	19,766	104,665	102,281
Human Resources	151,836	1,750	37,855	191,441	189,123
Senior Financial Officer	151,836	1,750	19,215	172,801	199,574
Boards and Agencies					
Farmers' Advocate [4]	151,836	1,750	6,783	160,369	165,898
General Manager, Agricultural Products Marketing Council	141,372	4,459	35,221	181,052	182,109

Prepared in accordance with Treasury Board Directive 12/98 as amended.

(1) Base salary includes pensionable base pay.

(2) Other cash benefits include vacation payouts and lump sum payments. There were no bonuses paid in 2011.

(3) Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships and tuition fees.

(4) Automobile provided, no dollar amount included in other non-cash benefits.

(5) The position was created November 1, 2010. Includes the responsibilities of the former Executive Director of Business Services and Rural Utilities.

Schedule 7

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

SCHEDULE TO FINANCIAL STATEMENTS

RELATED PARTY TRANSACTIONS

YEAR ENDED MARCH 31, 2011
(in thousands)

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Department.

The Department and its employees paid certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Department had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities	
	2011	2010	2011	2010
Revenues:				
Grants	$ 1,074	$ 795	$ 20,720	$ 20,720
Other	-	-	933	582
	$ 1,074	$ 795	$ 21,653	$ 21,302
Expenses - Directly Incurred:				
Grants	$319,754	$374,612	$ 827	$ 878
Other services	-	-	3,942	3,360
	$319,754	$374,612	$ 4,769	$ 4,238
Tangible Capital Assets Transferred In (Out)				
Ministry of Advanced Education and Technology	$ -	$ -	$ 1,229	$ 4,307
Ministry of Service Alberta	-	-	(140)	-
Ministry of Sustainable Resource Development	-	-	(26)	-
	$ -	$ -	$ 1,063	$ 4,307
Payable to				
Agriculture Financial Services Corporation	$ 19,378	$171,642	$ -	$ -
Alberta Livestock and Meat Agency	9,615	9,396	-	-
Ministry of Advanced Education and Technology	-	-	374	585
Ministry of Housing and Urban Affairs	-	-	-	-
Receivable from				
Agriculture Financial Services Corporation	260	208	-	-
Alberta Livestock and Meat Agency	1,222	489	-	-
Ministry of Advanced Education and Technology	-	-	37	128
Ministry of International and Intergovernmental Relations	-	-	29	-
	$ 30,475	$181,735	$ 440	$ 713

The Department also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 8.

	Entities in the Ministry		Other Entities	
	2011	2010	2011	2010
Expenses - Incurred by Others:				
Accommodation	$ -	$ -	$ 19,500	$ 20,388
Legal	-	-	952	708
Other	-	-	4,672	7,304
	$ -	$ -	$ 25,124	$ 28,400

Note: The Department receives services under contracts managed by the Ministry of Service Alberta. Any commitments under these contracts are reported by the Ministry of Service Alberta.

Schedule 8

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

SCHEDULE TO FINANCIAL STATEMENTS

ALLOCATED COSTS

YEAR ENDED MARCH 31, 2011
(in thousands)

	2011										2010
		Expenses - Incurres by Others						Valuation Adjustments[8]			
Program	Expenses[1]	Accommodation Costs[2]	Legal Services[3]	Service Alberta[4]	Air Transportation[5]	Corporate Internal Audit Services[6]	Learning Centre[7]	Vacation Pay	Doubtful Accounts	Total Expenses	Total Expenses (Restated - Note 3)
Ministry Support Services	$ 14,926	$ 1,959	$ 103	$ 4,478	$ 108	$ 45	$ 4	$ 29	$ 1	$ 21,653	$ 25,206
Policy and Environment	65,568	5,046	149	-	-	-	11	83	(2)	70,855	71,297
Rural Development and Regulatory Ser	37,685	2,366	204	-	-	-	5	(70)	-	40,190	31,910
Industry Development and Food Safety	116,307	10,129	496	-	-	-	21	151	(2,247)	124,857	118,864
Livestock and Meat Strategy	29,462	-	-	-	-	-	-	-	-	29,462	33,844
Agriculture Assistance											
Insurance and Lending	206,484	-	-	-	-	-	-	-	-	206,484	180,095
Income Stabilization	77,016	-	-	-	-	-	-	-	-	77,016	160,120
Farm Fuel Distribution Allowance	30,614	-	-	-	-	-	-	-	-	30,614	33,173
	$ 578,062	$ 19,500	$ 952	$ 4,478	$ 108	$ 45	$ 41	$ 193	$ (2,248)	$ 601,131	$ 654,509

[1] Expenses - Directly incurred as per Statements of Operations, excluding valuation adjustments.
[2] Costs shown for Accommodation on Schedule 7, allocated by budgeted full-time equivalent employment.
[3] Costs shown for Legal Services on Schedule 7, allocated by estimated costs incurred by each program.
[4] Costs shown for Service Alberta on Schedule 7, allocated by estimated costs incurred by each program.
[5] Costs shown for Air Transportation on Schedule 7, allocated by estimated costs incurred by each program.
[6] Costs shown for Corporate Internal Audit Services on Schedule 7, allocated by estimated costs incurred by each program.
[7] Costs shown for Learning Centre on Schedule 7, allocated by budgeted full-time equivalent employment.
[8] Valuation Adjustments as per Statement of Operations. Provision for Doubtful Accounts and Provision for Vacation Pay included in Valuation Adjustments were allocated as follows:
- Vacation Pay - allocated to the program by employee.
- Provision for Doubtful Accounts - estimated allocation to program.

Agriculture Financial Services Corporation

Financial Statements
Year Ended March 31, 2011

AGRICULTURE FINANCIAL SERVICES CORPORATION

FINANCIAL STATEMENTS

MARCH 31, 2011

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AUDITOR GENERAL *Alberta*

Independent Auditor's Report

To the Board of Directors of the Agriculture Financial Services Corporation

Report on the Financial Statements

I have audited the accompanying financial statements of Agriculture Financial Services Corporation, which comprise the statement of financial position as at March 31, 2011, and the statements of operations, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Agriculture Financial Services Corporation as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, CA]

Auditor General

June 1, 2011

Edmonton, Alberta

AGRICULTURE FINANCIAL SERVICES CORPORATION

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2011
(dollars in thousands)

	2011	2010
ASSETS		
Cash	$ 367,845	$ 271,980
Accounts receivable (Note 4)	14,238	14,818
Due from Government of Alberta	19,944	171,891
Due from Government of Canada	236,367	318,582
Loans receivable (Note 5)	1,397,154	1,264,022
Investments (Note 6)	701,471	496,564
Tangible capital assets (Note 7)	49,275	45,625
	$ 2,786,294	$ 2,583,482
LIABILITIES AND SURPLUS		
Accounts payable and accrued liabilities (Note 8)	$ 15,029	$ 17,946
Indemnities payable (Note 9)	339,708	486,248
Notes payable (Note 10)	1,371,656	1,211,200
Unearned revenue (Note 11)	11,535	15,095
	1,737,928	1,730,489
Surplus	1,048,366	852,993
	$ 2,786,294	$ 2,583,482

Contingencies and commitments (Note 14)

The accompanying notes and schedules are part of these financial statements.

Approved by the Board:

Harry Haney, Chair of the Board

Bill Daye, Chair of the Audit Committee

Brad Klak, President and Managing Director

AGRICULTURE FINANCIAL SERVICES CORPORATION

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2011

(dollars in thousands)

	2011		2010
	Budget (Note 3(a))	Actual (Schedule 1)	Actual
Revenues:			
Premiums from insured persons	$ 240,707	$ 257,378	$ 221,455
Interest	82,364	73,324	72,177
Contribution from Government of Alberta	336,296	285,142	340,649
Contribution from Government of Canada	305,185	236,287	353,676
Investment income	20,406	35,616	26,784
Fees and other income	12,055	15,113	13,057
	997,013	902,860	1,027,798
Expenses:			
AgriInsurance	363,005	405,086	598,523
Agriculture Income Support	293,398	171,469	374,848
Lending	94,116	85,997	82,187
Hail Insurance	39,275	32,461	35,127
Livestock Insurance	10,085	2,063	2,497
Wildlife Damage Compensation	5,732	10,411	7,195
	805,611	707,487	1,100,377
Surplus (deficit) for the year	$ 191,402	195,373	(72,579)
Surplus at beginning of year		852,993	925,572
Surplus at end of year		$ 1,048,366	$ 852,993

The accompanying notes and schedules are part of these financial statements.

AGRICULTURE FINANCIAL SERVICES CORPORATION

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2011

(dollars in thousands)

	2011	2010
Operating transactions:		
Surplus (deficit) for the year	$ 195,373	$ (72,579)
Non-cash items included in surplus	14,170	28,334
Changes in assets and liabilities relating to operations	84,220	(25,945)
Net cash provided (utilized) by operating activities[1]	293,763	(70,190)
Investing transactions:		
Proceeds from repayments of loans receivable and sale of properties	217,935	229,712
Loan disbursements	(356,977)	(327,053)
Purchase of investments	(570,396)	(565,718)
Proceeds on disposal of investments	371,465	537,150
Purchase of tangible capital assets	(11,159)	(11,266)
Proceeds on disposal of tangible capital assets	56	15
Net cash utilized by investing activities	(349,076)	(137,160)
Financing activities:		
Borrowing from the Government of Alberta	1,069,865	299,026
Repayment of borrowing from the Government of Alberta	(918,687)	(209,356)
Net cash provided by financing activities	151,178	89,670
Net increase (decrease) in cash from operating, investing and financing activities	95,865	(117,680)
Cash at beginning of year	271,980	389,660
Cash at end of year	$ 367,845	$ 271,980

[1] Net cash provided by operating activities includes $52,907 (2010 $51,845) of interest paid.

The accompanying notes and schedules are part of these financial statements.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2011

(dollars in thousands)

Note 1 Authority and Purpose

The Agriculture Financial Services Corporation (the "Corporation") operates under the authority of the *Agriculture Financial Services Act*, Chapter A-12 RSA 2000.

The Corporation provides income stabilization, disaster assistance, AgriInsurance, livestock insurance and loans and guarantees to primary agriculture producers in Alberta. Loans and guarantees are also provided to commercial Alberta businesses.

Note 2 Significant Accounting Policies and Reporting Practices

These financial statements are prepared primarily in accordance with generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

(a) Cash

Cash consists of balances in accounts with the Consolidated Cash Investment Trust Fund which is managed by the Government of Alberta to provide competitive interest income while maintaining maximum security and liquidity of funds.

(b) Investments

Investments are carried at cost or amortized cost unless there is an other than temporary decline in the value of the investments, then the investments are written down to recognize the loss. Premiums and discounts on investments are amortized to investment income using the straight-line method over the period to maturity of the related investment. Gains and losses realized on disposal of investments are included in investment income.

(c) Tangible Capital Assets

Assets acquired by right are not included. Tangible capital assets of the corporation are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. An asset acquired, other than computer software, with a life of more than one year and a cost of $5,000 or more is capitalized. Computer software acquired from external sources at a cost of $100,000 or more and software developed by AFSC costing $500,000 or more are capitalized.

(d) Notes Payable

Notes payable are carried at amortized cost. Premiums and discounts on notes payable are amortized to interest expense using the effective yield method over the period to maturity.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(e) Fair Value of Assets and Liabilities

Because of the relatively short period to maturity, short-term financial instruments are valued at cost and adjusted for any applicable allowance for doubtful accounts. This is considered to be equivalent to fair value and applies to Cash, Accounts receivable, Due from Government of Alberta, Due from Government of Canada, Accounts payable and accrued liabilities and Indemnities payable. Fair values of Investments and Notes payable are disclosed in their respective notes.

(f) Reinsurance

The Corporation carries reinsurance to cover AgriInsurance risks through two levels of government. Two crop reinsurance funds were established. On behalf of the Province, the Corporation administers the provincial fund called the Crop Reinsurance Fund of Alberta. The Government of Canada holds the federal fund called the Crop Reinsurance Fund of Canada for Alberta. The Crop Reinsurance Fund of Alberta is included as part of the AgriInsurance surplus of the Corporation. Contributions to and withdrawals from the Funds are made in accordance with terms and conditions of the agreement (see Note 17).

In addition, the Corporation carries reinsurance through private insurance companies for AgriInsurance programs and for the Livestock Insurance programs. Amounts recoverable from private reinsurers on premiums and indemnities are recorded in Accounts receivable.

Reinsurance recoveries are reported gross, they are included in fees and other revenue. Reinsurance expenses are reported at gross amounts and are separately disclosed in Schedule 1.

(g) Loan Discounting

Loans made under the Alberta Disaster Assistance Loan Program, Alberta Farm Income Disaster Program, and amounts previously deferred under the Indexed Deferral Plan are discounted when they involve significant concessionary elements. The amounts discounted are amortized to revenue over the lives of the concessionary terms.

(h) Revenue Recognition

All revenues including Contributions from the Governments of Canada and Alberta are recognized on an accrual basis. For the Canadian Agricultural Income Stabilization (CAIS), AgriStability, AgriInvest and AgriRecovery programs, government contributions are based on program benefit payments to producers. For AgriInsurance and Livestock programs, it is based on premiums collected from producers.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(h) Revenue Recognition (continued)

Interest revenue on loans receivable is recognized on an accrual basis unless the ultimate collectability of the loan is in doubt. When a loan is classified as impaired, interest revenue is no longer recognized. An impaired loan is a loan in which there is risk of loss to the Corporation for full and timely collection of the debt. Impairment may be due to a security deficiency, inadequate cash flow, economic factors in a specific segment of the industry or a catastrophic event.

Loan fees are recognized when received or at the time of loan disbursement. Other fees are recorded when the Corporation completes the applicable service.

(i) Pensions

The Corporation participates in multi-employer pension plans with related government entities. Pension costs included in these statements are comprised of the cost of employer contributions for the current year service of employees.

(j) Allowances for Doubtful Accounts and for Losses

Allowances are established for specifically identified potential losses on loans and guarantees. When a loan is identified as impaired, a specific allowance is established. Specific allowances are established to reduce the recorded investment in the loan to the discounted fair value of the security and net of the estimated costs to collect. Specific allowances are determined in this manner because the amounts and timing of future cash flows cannot be estimated with reasonable reliability. The allowance for doubtful accounts is adjusted for the change in the present value of the security held.

In addition to the specific allowance, the Corporation establishes a general allowance for doubtful accounts not meeting the specific allowance criteria. The general allowance is management's estimate of loss on loan balances based on assessed risk for each account or program. Risk for each account is determined based on credit risk score, arrears, certain amendments to loan terms and shortfalls of security covering loan balances.

(k) Transactions with Related Parties

The Governments of Canada and Alberta significantly influence the programs delivered by the Corporation and are major contributors to the funding of the programs. Therefore, both governments are considered related parties. All related party transactions with the Governments of Canada and Alberta have been recorded at the amount of consideration paid or received as agreed to by the related party (see Note 16).

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(l) AgriStability, AgriInvest and AgriRecovery Program

Indemnities and administration expenses for the AgriStability and the AgriRecovery programs and corresponding contributions from the Governments of Canada and Alberta are recorded at 100% because the programs are delivered by the Corporation. Indemnities and administration expenses under the AgriInvest program and corresponding Government of Alberta contributions are recorded at 40% reflecting the Government of Alberta's share of program payments and costs because the program is delivered by Agriculture and Agri-Food Canada.

Note 3 Financial Structure

(a) Budget

The Board of Directors approved the Corporation's budget in January 2010. Provincial funding for the approved budget of $336,296 was authorized by the Legislative Assembly.

(b) AgriInsurance Fund Balance Restriction

In accordance with the Federal/Provincial Agricultural Policy Framework Implementation Agreement, the AgriInsurance fund is restricted to being used for AgriInsurance purposes.

Note 4 Accounts Receivable

	2011	2010
AgriStability & Canadian Agricultural Income Stabilization (CAIS) programs:		
Overpayments	$ 20,056	$ 22,438
Administration fees	1,584	2,025
Premiums from insured persons		
AgriInsurance program	8,381	10,450
Hail insurance program	817	301
Prepaid expenses	1,371	1,351
Other	1,133	93
	33,342	36,658
Less allowances for doubtful accounts (Note 13)	(19,104)	(21,840)
	$ 14,238	$ 14,818

Note 4 Accounts Receivable (continued)

If the overpayment under CAIS or AgriStability program is not repaid or converted to a loan, the Corporation will pursue collection. Collection will include the recovery of the overpayment from future payments under the programs delivered by the Corporation as well as programs administered by the Governments of Canada and Alberta. Overpayment amounts collected in the future are repayable to the Governments of Canada and Alberta.

The Allowances for doubtful accounts of $19,104 (2010 $21,840) for estimated losses on premiums receivable and overpayments and is subject to measurement uncertainty. The allowance estimate is based on an assessment of the ability to collect the outstanding balance.

Note 5 Loans Receivable

Loans receivable are comprised of the following:

	2011			2010
	Farm	Commercial	Total	Total
Recorded investment	$ 1,115,040	$ 288,283	$ 1,403,323	$ 1,265,653
Specific allowance	(2,330)	(11,514)	(13,844)	(7,544)
General allowance	(12,677)	(4,159)	(16,836)	(17,135)
	1,100,033	272,610	1,372,643	1,240,974
Accrued interest	23,005	1,769	24,774	24,086
Accrued incentives	-	-	-	(661)
Loan discounts	(263)	-	(263)	(377)
Net carrying value	$ 1,122,775	$ 274,379	$ 1,397,154	$ 1,264,022

Impaired loans included in the preceding schedule:

	2011			2010
	Farm	Commercial	Total	Total
Recorded investment	$ 8,819	$ 18,668	$ 27,487	$ 13,501
Specific allowance	(2,330)	(11,514)	(13,844)	(7,544)
Net carrying value	$ 6,489	$ 7,154	$ 13,643	$ 5,957

The impaired loans balance includes properties held for sale which have been acquired as a result of foreclosures, quit claims and other actions. There is a specific allowance of $2,257 (2010 $2,582) on loan balance outstanding of $2,418 (2010 $2,709).

Note 5 Loans Receivable (continued)

Included in the above loans receivable balance are loans with concessionary terms which, before discounting, have principal amounts outstanding of:

	2011	2010
Alberta Disaster Assistance Loan Program	$ 16,106	$ 19,970
Alberta Farm Income Disaster loans	2,864	5,823
Indexed Deferral Plan	22	37
	$ 18,992	$ 25,830

Included in Loans receivable is a specific allowance of $13,844 (2010 $7,544) and a general allowance of $16,836 (2010 $17,135) that are subject to measurement uncertainty. The amount established for specific and general allowances of $30,680 to cover estimated losses on loans (see Note 2(h)) could change substantially in the future, if factors considered by management in establishing these estimates were to change significantly.

Loans receivable are secured by tangible assets consisting predominantly of land followed by buildings, equipment and other assets. The estimated values of such tangible securities are $2,585,709 (2010 $2,395,611).

Fair values of loans receivable are not disclosed. Loans receivable consists of developmental loans with uncommon terms such as interest rate rebates/incentives, concessionary interest rates, provision for prepayments with no penalties, fixed interest rates with longer terms and loans with relatively higher financial risks. Determining the fair values of loans receivable with sufficient reliability is not practical due to the absence of verifiable information from established financial markets for such loans.

Note 6 Investments

	2011	2010
Bonds and debentures:		
Government of Canada, direct and guaranteed	$ 384,414	$ 135,757
Other provincial, direct and guaranteed	94,534	180,247
	478,948	316,004
Corporate securities	217,544	175,209
	696,492	491,213
Accrued interest	4,979	5,351
	$ 701,471	$ 496,564

The fair value of investments at March 31, 2011 is $698,705 (2010 $503,384). Fair value is based on quoted market prices excluding accrued interest.

AGRICULTURE FINANCIAL SERVICES CORPORATION

(dollars in thousands)

Note 7 Tangible Capital Assets

	Land	Building	Furniture and Fixtures	Computer Equipment and Software	2011 Totals	2010 Totals
	Indefinite	25 - 40 years	5 - 10 years	2 - 10 years		
Cost						
Beginning of year	$ 347	$ 10,026	$ 5,608	$ 71,729	$ 87,710	$ 81,976
Additions	-	50	1,442	9,667	11,159	11,266
Disposals and writedowns	-	-	(133)	(2,143)	(2,276)	(5,532)
	347	10,076	6,917	79,253	96,593	87,710
Accumulated amortization						
Beginning of year	-	3,312	3,142	35,631	42,085	40,943
Amortization expense	-	366	610	6,513	7,489	6,656
Disposals and writedowns	-	-	(133)	(2,123)	(2,256)	(5,514)
	-	3,678	3,619	40,021	47,318	42,085
Net book value at March 31, 2011	$ 347	$ 6,398	$ 3,298	$ 39,232	$ 49,275	
Net book value at March 31, 2010	$ 347	$ 6,714	$ 2,466	$ 36,098		$ 45,625

Computer equipment and software costs include $1,005 (2010 $3,387) of costs incurred that are not amortized because they are still in the development stage. Amortization is recorded on a straight-line basis over the estimated useful lives of the assets.

Note 8 Accounts payable and accrued liabilities

	2011	2010
Accounts payable - general	$ 1,163	$ 3,806
Human Resources	5,723	5,439
Supplies, services and capital purchases	6,661	6,932
Due to Crop Reinsurance Fund of Canada for Alberta	1,282	800
Allowance for loan guarantees	200	969
	$ 15,029	$ 17,946

AGRICULTURE FINANCIAL SERVICES CORPORATION

(dollars in thousands)

Note 9 Indemnities Payable

	2011 (Note 2(l))	2010 (Note 2(l))
AgriStability (previously CAIS program), AgriInvest, AgriRecovery and related programs	$ 310,422	$ 449,301
AgriInsurance	27,480	30,818
Wildlife compensation	1,351	4,687
Hail insurance	455	1,442
	$ 339,708	$ 486,248

Estimated indemnities payable of $339,708 and corresponding contributions and receivables from the Governments of Canada and Alberta are subject to measurement uncertainty because they could change significantly in the future, if factors considered by management in establishing the estimates were to change significantly.

AgriStability, AgriInvest and AgriRecovery

Estimated payable represents claims payable for claim years from 2003 to 2010.

For the Claim Year 2010

AgriStability and AgriInvest indemnities payable includes estimated payments for the 2010 claim year of $220,676. The vast majority of 2010 claims are not received because the deadline for submission of complete information is after the end of the fiscal year. The program payments are triggered when the participants claim year program margin falls below their support level. Indemnities payable includes 100% estimated payments of $196,760 for claims under the AgriStability program and only the Government of Alberta's 40% share of claims under the AgriInvest program of $23,916.

The two factors impacting estimated indemnities payable for the 2010 claim year are the number of participants and estimated program margins. The estimated number of participants for the 2010 claim year is based on the number of farm operations participating in the program during the 2009 claim year. The estimated program margins are based on forecasted changes in eligible income and expenses between 2009 and 2010. Based on historical experience of variability between forecasts and actual results of key assumptions, the estimated indemnities for the 2010 claim year of $230,555 would range from $152,732 to $303,312.

Estimated payments for the 2010 claim year also include payments under one-time AgriRecovery programs implemented in the current fiscal year to provide compensation to producers affected by drought, excess moisture and higher feed transportation costs amounting to $25,301.

Note 9 Indemnities Payable (continued)

For the Claim Year 2009 and Prior Years

Indemnities payable includes estimated payments of $60,769 for claims received but not processed and estimates for additional payment as a result of revision of claims for the 2009 and prior claim years (2009 $49,605 for the 2008 and prior claim years). The estimates for the 2009 claim year are based on the number of claims received but not yet processed and the estimated average payment per claim.

Other

Indemnities payable also includes estimated payments of $3,676 for related programs (2010 $8,943). The related programs were approved and entirely funded by the Government of Alberta.

AgriInsurance

Indemnities includes estimated payments of $27,480 (2009 $30,818) for claims received but not processed for the 2010 crop year. The estimates are based on the number of claims received but not yet processed and the estimated average payment per claim.

Livestock Insurance Program

Indemnities payable are based on estimated payments using forward contract prices applicable for policies sold during the fiscal year with settlement dates beyond the end of the fiscal year. The premium revenue for the year was $1,249 (2010 $2,502) with a coverage of $63,266. Indemnities paid during the year were $92 (2010 $3). The estimated liability as at March 31, 2011 was $0 (2010 $0).

Note 10 Notes Payable

Notes payable to the Government of Alberta are comprised of the following:

Remaining Term to Maturity	Effective Interest Rate	2011	Effective Interest Rate	2010
Within 1 year	0.89% - 4.13%	$ 105,000	0.22% - 5.93%	$ 291,063
1 to 5 years	2.06% - 7.64%	275,797	2.06% - 7.64%	273,998
6 to 10 years	3.58% - 5.93%	710,681	3.58% - 5.93%	375,239
Over 10 years	4.90% - 4.97%	259,294	4.90% - 4.97%	259,294
Accrued interest		13,660		12,709
Unamortized premium (discount)		7,224		(1,103)
		$ 1,371,656		$ 1,211,200

Principal repayments due in each of the next five years are as follows:

Year ending March 31,	2012	$ 84,425
	2013	$ 96,053
	2014	$ 83,393
	2015	$ 45,479
	2016	$ 108,642

The approximate fair value at March 31, 2011 is $1,419,451 (2010 $1,260,342). Fair value is an approximation of market value to the holder.

Note 11 Unearned Revenue

Unearned revenue is comprised of $11,535 (2010 $15,095) of premiums received from producers for AgriInsurance programs and fees for the AgriStability program relating to the next fiscal year.

Note 12 Pensions

The Corporation participates in the multi-employer Management Employees Pension Plan and Public Service Pension Plan. The Corporation also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $4,379 for the year ended March 31, 2011 (2010 $3,789).

At December 31, 2010, the Management Employees Pension Plan reported a deficiency of $397,087 (2009 deficiency $483,199) and the Public Service Pension Plan reported a deficiency of $2,067,151 (2009 deficiency $1,729,196). At December 31, 2010, the Supplementary Retirement Plan for Public Service Managers had a deficiency of $39,559 (2009 deficiency $39,516). The Corporation's share of these pension plans' surplus or deficiency is not determinable.

Note 13 Allowances for Doubtful Accounts and for Losses

	Accounts Receivable (Note 4)	Farm Lending Loans Receivable (Note 5)	Commercial Lending Loans Receivable (Note 5)	Loan Guarantees (Note 14)	2011 Total	2010 Total
Allowances at beginning of year	$ 21,840	$ 13,435	$ 11,245	$ 969	$ 47,489	$ 35,117
Increase (decrease) for the year	(2,435)	1,540	6,516	(769)	4,852	20,435
Write-offs, net of recoveries	(301)	32	(2,088)	-	(2,357)	(8,065)
Allowances at end of year	$ 19,104	$ 15,007	$ 15,673	$ 200	$ 49,984	$ 47,487

Note 14 Contingencies and Commitments

Contingent Liability

	2011	2010
Loan guarantees	$ 7,791	$ 12,355
Less allowances for losses (Note 8)	(200)	(969)
	7,591	11,386
Legal actions	197	180
Total contingencies	$ 7,788	$ 11,566

The majority of loan guarantees relate to loans made by other financial institutions with repayment guaranteed by the Corporation.

Legal actions represent amounts claimed or amounts claimed in excess of what was accrued. The outcome of the legal actions is not determinable at this time.

A contingent liability may exist for additional site remediation and reclamation costs in respect of a property held for sale in addition to $2,135 (2010 $2,130) included in Accounts payable and accrued liabilities. Due to uncertainty surrounding the environmental obligations, it is not possible to determine the amount of the contingent liability.

Commitments

	2011	2010
Approved, undisbursed loans	$ 90,382	$ 58,930
Reinsurance	29,108	25,307
Estimated farm loan incentives	-	1,657
Operating leases	2,125	1,613
Total commitments	$ 121,615	$ 87,507

The operating lease commitments are for accommodations with terms up to five years.

AGRICULTURE FINANCIAL SERVICES CORPORATION

(dollars in thousands)

Note 15 Credit Risk and Interest Risk

(a) Credit Risk

Credit risk is the risk that a debtor may not pay amounts owing thus resulting in a loss.

The following breakdown of the Loans receivable provides an indication of the concentration of credit risk on the loan portfolio. Further information is provided throughout these statements which discloses other concentrations of credit risk.

	2011	2010
Loans receivable by sector:		
Grain and Oilseeds	$ 654,368	$ 577,292
Cattle	387,752	382,200
Manufacturing	76,534	64,129
Other Livestock	61,535	63,073
Accommodations and Other Services	61,434	53,693
Trade - Retail and Wholesale	50,946	47,083
Commercial and Industrial	25,195	21,918
Professional Services	21,445	22,310
Transportation and Warehousing	13,010	11,759
Other	75,615	45,244
Allowance	(30,680)	(24,679)
	$ 1,397,154	$ 1,264,022

Note 15 Credit Risk and Interest Risk (continued)

(b) Interest Risk

Loans Receivable and Notes Payable

Interest rate risk is the impact future changes of interest rates has on cash flows and fair values of assets and liabilities. The gap position presented in the following table is determined as at the close of business on March 31, 2011. The Corporation allows its customers to prepay their loans without any prepayment penalties. In the normal course of business, loan customers prepay their loans in part or in full prior to the contractual maturity date. Therefore, the following position of the Corporation's lending operations may change significantly due to loan customer payment preferences and the Corporation's risk management practices.

	Scheduled Repayment [1]				Not [2] Interest Rate Sensitive	2011	2010
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years		Total	Total
Loan balances	$ 138,108	$ 410,117	$ 396,789	$ 453,793	$ (1,653)	$ 1,397,154	$ 1,264,022
Yield	5.22%	5.37%	5.61%	5.22%	-	5.39%	5.65%
Notes payable							
Government of Alberta	$ 144,425	$ 333,566	$ 613,487	$ 259,294	$ 20,884	$ 1,371,656	$ 1,211,200
Yield [3]	4.34%	4.38%	4.56%	5.06%	-	4.46%	4.80%
Net gap	$ (6,317)	$ 76,551	$ (216,698)	$ 194,499	$ (22,537)	$ 25,498	$ 52,822

(1) For loan balances, scheduled repayments of principal and interest are based on amortization of loans for the remaining term up to maturity at applicable interest rates. For notes payable, scheduled repayments reflect contractual payments of interest and repayment of principal. The interest rates are fixed until maturity. Repayment is either by semi-annual, annual installments or full repayment at maturity of principal.

(2) Includes specific and general allowance, accrued interest and unamortized loan discount.

(3) For notes payable yield represents the rate which discounts future cash receipts to the carrying amount.

Note 15 Credit Risk and Interest Risk (continued)

(b) Interest Risk (continued)

Investments

The above gap position does not include the investment portfolio, which is disclosed separately below. Investments are not included because investments relate to insurance program cash flows which are managed separately from lending program cash flows.

The following provides a breakdown of the investment portfolio by term to maturity.

	Term to Maturity [1]			2011	2010
	Within 1 Year	1 to 5 Years	6 to 10 Years	Total	Total
Bonds and debentures	$ 7,421	$ 429,250	$ 42,277	$ 478,948	$ 316,004
Yield [2]	1.28%	2.09%	3.47%	2.20%	2.70%
Corporate Securities	50,983	166,561	-	217,544	175,209
Yield [2]	1.76%	3.30%	-	2.94%	2.55%
	58,404	595,811	42,277	696,492	491,213
Accrued interest	835	4,038	106	4,979	5,351
	$ 59,239	$ 599,849	$ 42,383	$ 701,471	$ 496,564

[1] For investments, term to maturity classifications are based on contractual maturity date of the security.

[2] For investments, yield represents the rate which discounts future cash receipts to the carrying amount.

Note 16 Related Party Transactions

Information is provided throughout these statements to disclose significant related party transactions the Corporation entered into, except for the following:

	2011	2010
Interest expense - Government of Alberta	$ 53,093	$ 49,458
Administration expense - Government of Alberta	$ 1,494	$ 1,407
Administration expense - Government of Canada	$ 1,686	$ 1,700

AGRICULTURE FINANCIAL SERVICES CORPORATION

(dollars in thousands)

Note 17 Crop Reinsurance Funds

The contributions, withdrawals and accumulated surplus positions of the Crop Reinsurance Fund of Alberta and Crop Reinsurance Fund of Canada for Alberta are as follows (see Note 2(f)):

	Crop Reinsurance Fund of Alberta		Crop Reinsurance Fund of Canada for Alberta	
	2011	2010	2011	2010
Opening surplus	$ 22,907	$ 20,924	$ 23,584	$ 21,601
Contributions	2,060	1,983	2,060	1,983
Closing surplus	$ 24,967	$ 22,907	$ 25,644	$ 23,584

Note 18 Comparative Figures

The 2010 figures have been reclassified where necessary to conform to 2011 presentation.

Schedule 1

AGRICULTURE FINANCIAL SERVICES CORPORATION
SCHEDULE OF OPERATIONS
YEAR ENDED MARCH 31, 2011
(dollars in thousands)

	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2012
	AgriInsurance	AgriInsurance	Agriculture Income Support	Agriculture Income Support	Lending	Lending	Hail Insurance	Hail Insurance	Livestock Insurance	Livestock Insurance	Wildlife Damage Compensation	Wildlife Damage Compensation	Total	Total
Revenues														
Premiums from insured persons	$ 214,993	$ 184,950	$ -	$ -	$ -	$ -	$ 41,136	$ 34,003	$ 1,749	$ 2,502	$ -	$ -	$ 257,878	$ 221,455
Interest	505	392	807	981	71,907	70,753	105	51	-	-	-	17	73,324	72,177
Contribution from Government of Alberta	190,060	167,202	77,016	160,120	10,403	7,178	-	-	2,339	2,405	5,295	3,634	285,142	340,648
Contribution from Government of Canada	152,058	147,082	78,578	203,168	-	-	-	-	-	-	5,353	3,428	235,287	353,678
Investment income	32,974	25,954	1,820	502	839	267	48	2	10	(12)	4	71	35,615	26,784
Fees and other income	241	33	17,918	10,218	2,738	2,209	427	426	51	49	130	173	19,113	13,057
	591,330	525,633	186,138	375,001	85,909	80,417	41,717	34,484	3,649	4,999	12,488	7,264	902,930	1,027,799
Expenses														
Indemnities	354,097	549,287	152,832	341,134	-	-	27,370	30,099	42	3	5,808	6,543	543,789	927,056
Salaries, wages and employee benefits	17,885	16,304	13,539	13,701	16,488	16,550	1,077	831	535	785	425	341	49,750	48,511
Supplies and services	9,092	8,754	5,346	5,581	5,794	5,290	1,988	2,172	320	441	348	223	22,981	22,304
Amortization of tangible capital assets	1,502	1,615	2,426	2,455	2,437	1,645	769	526	335	185	30	31	7,499	6,456
Interest	-	-	-	-	53,993	49,468	-	-	-	-	-	-	53,993	49,468
Reinsurance	22,741	22,350	-	-	-	-	1,837	1,509	769	1,383	-	-	25,347	25,242
Allowance for doubtful accounts and for losses (Note 13)	9	184	(2,474)	11,978	(1,287)	8,240	30	-	-	-	-	53	(4,862)	20,455
	405,326	598,523	171,669	374,849	85,907	82,188	32,481	35,126	2,053	2,497	10,411	7,194	707,497	1,100,377
Surplus (deficit) for the year	185,274	(72,890)	(1,731)	152	(89)	(1,771)	9,236	(642)	1,596	2,502	77	70	195,373	(72,578)
Surplus at beginning of year	760,638	833,528	15,004	14,851	70,903	72,673	2,224	2,866	2,502	-	1,722	1,652	852,993	925,571
Surplus at end of year	$ 945,912	$ 760,638	$ 13,273	$ 15,003	$ 70,814	$ 70,902	$ 11,460	$ 2,224	$ 4,098	$ 2,502	$ 1,799	$ 1,722	$ 1,048,366	$ 852,993

Schedule 2

AGRICULTURE FINANCIAL SERVICES CORPORATION

SCHEDULE OF SALARIES AND BENEFITS

YEAR ENDED MARCH 31, 2011

(dollars in thousands)

	2011				2010
	Base Salary[1]	Other Cash Benefits[2]	Other Non cash Benefits[3]	Total	Total
Chairman of Board	$ 83	$ -	$ -	$ 83	$ 71
Board members[4]	223	-	-	223	233
President and Managing Director	333	38	77	448	409
Executive/Vice-Presidents					
Vice-President, Finance & Corporate Affairs	209	1	50	260	273
Vice-President, Lending Operations	174	10	42	226	328
Vice-President, Risk Management	205	19	49	273	266
Vice-President, Human Resources & Community Relations	195	4	47	246	247

(1) Base salaries are fees for Chair and Board members and base pay for employees.

(2) Other cash benefits include vacation payments and lump sum payments. There were no bonuses paid in 2011.

(3) Other non-cash benefits include employer's share of all employee benefits and contributions or payments made on behalf of employees, including health care, dental, medical and vision care, group life insurance benefits, pension and supplementary retirement plan, employment insurance, accidental death/dismemberment and long-term disability insurance, workers' compensation and professional memberships. No amount is included in other non-cash benefits for an automobile provided to the President and Managing Director.

(4) The amounts relate to eight Board members during 2010/11 (eight in 2009/10).

Alberta Livestock and Meat Agency Ltd.

Financial Statements
Year Ended March 31, 2011

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2011

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AUDITOR GENERAL *Alberta*

Independent Auditor's Report

To the Board of Directors of the Alberta Livestock and Meat Agency Ltd.

Report on the Financial Statements

I have audited the accompanying financial statements of Alberta Livestock and Meat Agency Ltd. which comprise the statement of financial position as at March 31, 2011, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Alberta Livestock and Meat Agency Ltd. as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, CA]

Auditor General

June 6, 2011

Edmonton, Alberta

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2011
(in thousands)

	2011 Budget (Note 3)	2011 Actual	2010 Actual
Revenues			
Internal Government Transfers	$ 44,463	$ 34,612	$ 34,397
Miscellaneous Income	100	108	52
Livestock Development	5,420	4,855	16,158
	49,983	**39,575**	**50,607**
Expenses - Directly Incurred (Schedule 1)			
Industry Investment	28,438	25,261	14,237
Strategic Initiatives	11,125	6,449	15,317
Governance and Communications	2,000	1,050	1,726
Corporate Services	3,370	1,970	2,481
Livestock Development	5,420	4,855	16,158
	50,353	**39,585**	**49,919**
Net Operating Results	**$ (370)**	**$ (10)**	**$ 688**

The accompanying notes and schedules are part of these financial statements.

Approved by the Board of Directors:

Dr. David A. Chalack, Chair of the Board

Ron Jackson, Chair, Audit, Finance and Risk Committee

Gordon Cove, President and Chief Executive Officer

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2011
(in thousands)

	2011	2010
Assets		
Cash and Cash Equivalents	$ 19,034	$ 28,973
Due from Government of Alberta	9,615	9,396
Accounts Receivable	68	88
Tangible Capital Assets (Note 4)	1,247	1,257
	$ 29,964	**$ 39,714**
Liabilities		
Accounts Payable and Accrued Liabilities	$ 567	$ 1,010
Grants Payable	15,889	20,558
Unearned Revenue (Note 5)	9,525	14,153
	25,981	**35,721**
Net Assets		
Net Assets at Beginning of Year	3,993	3,305
Net Operating Results	(10)	688
Net Assets at End of Year	3,983	3,993
	$ 29,964	**$ 39,714**

Contractual Obligations (Note 6)

The accompanying notes and schedules are part of these financial statements.

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2011
(in thousands)

	2011	2010
Operating Transactions		
Net Operating Results	$ (10)	$ 688
Non-cash items included in Net Operating Results - Amortization	182	95
	172	**783**
Increase in Accounts Receivable	(199)	(9,442)
Decrease in Prepaid Expenses	-	7
Decrease in Accounts Payable and Accrued Liabilities	(443)	(337)
(Decrease) Increase in Grants Payable	(4,669)	20,540
Decrease in Unearned Revenue	(4,628)	(15,896)
Cash Applied to Operating Transactions	**(9,767)**	**(4,345)**
Capital Transactions		
Acquisition of Tangible Capital Assets	(172)	(730)
Cash Applied to Capital Transactions	**(172)**	**(730)**
Investing Transactions		
Sale of Investments	-	8,044
Gain on Sale of Investments	-	316
Cash Provided by Investing Transactions	**-**	**8,360**
(Decrease) Increase in Cash and Cash Equivalents	**(9,939)**	**3,285**
Cash and Cash Equivalents at Beginning of Year	28,973	25,688
Cash and Cash Equivalents at End of Year	**$ 19,034**	**$ 28,973**

The accompanying notes and schedules are part of these financial statements.

Notes to the Financial Statements for the Year Ended March 31, 2011

Note 1 Authority and Purpose

The Alberta Livestock and Meat Agency Ltd. was incorporated on January 29, 2009 under the *Alberta Business Corporations Act* (Alberta).

The Alberta Livestock and Meat Agency Ltd. (ALMA) is a subsidiary of the Ministry of Agriculture and Rural Development of the Province of Alberta. The Ministry of Agriculture and Rural Development and its wholly owned subsidiaries are exempt from the payment of income tax under Section 149 of the *Income Tax Act*.

The ALMA was established to revitalize Alberta's livestock and meat industry and to act as a catalyst to help enhance industry competitiveness and profitability.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with Canadian public sector standards.

Basis of Financial Reporting

Revenues - All revenues are reported on the accrual basis of accounting.

Internal Government Transfers - Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return. Internal government transfers are recognized as revenue when eligibility criteria have been met.

Expenses

Directly Incurred - Directly incurred expenses are those costs the ALMA has primary responsibility and accountability for, as reflected in the Government's budget documents.

In additional to the program operating expenses such as salaries, supplies, etc., directly incurred expenses also include amortization of tangible capital assets and pension costs, which are the cost of employer contributions during the year.

Grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

Assets - Cash consists of deposits in the Consolidated Cash Investment Trust Fund, which is managed by the Minister of Alberta Finance and Enterprise to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital.

Investments are carried at cost or amortized cost, unless there is an other than temporary decline in value of the investment, then the invests are written down to recognize the decline. Gains and losses realized on disposal of investments are included in unearned revenue in accordance with the transfer agreements.

Tangible capital assets are recorded at historical cost and amortized on a straight-line basis over the estimate useful lives of the assets. The threshold for capitalizing new systems development is $250,000 and the threshold for major systems enhancements is $100,000. The threshold for all other tangible capital assets is $5,000.

Liabilities - Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Grants payable are recognized when eligibility criteria are met and a reasonable estimate of the amounts can be made.

Restricted fund obligations are recorded as unearned revenue until the period when the related expenses are incurred, then they are recognized as revenue.

Note 2 Summary of Significant Accounting Policies and Reporting Practices – continued

Net Assets - Net assets represents the difference between the carrying value of assets held by the ALMA and its liabilities.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash, due from Government of Alberta, accounts receivable, accounts payable and accrued liabilities and grants payable are estimated to approximate their carrying values because of the short-term nature of these instruments.

Note 3 Budget

Budget figures are as published in the 2010-11 Government of Alberta Estimates, and do not reflect amounts transferred to the Department of Agriculture and Rural Development to support programming or spending reductions to support the Government of Alberta's deficit reduction initiatives.

Note 4 Tangible Capital Assets

(in thousands)

Estimated Useful Life	Equipment and Vehicles 10 years	Computer Hardware and Software 3 years	Leasehold Improvements 5 years	2011 Total	2010 Total
Historical Cost [1]					
Beginning of year	$ 891	$ 329	$ 133	$ 1,353	$ 623
Additions	6	166	-	172	730
Disposals	-	-	-	-	-
	$ 897	$ 495	$ 133	$ 1,525	$ 1,353
Accumulated Amortization					
Beginning of year	$ 65	$ 11	$ 20	$ 96	$ 1
Amortization expense	90	66	26	182	95
Effect of disposals	-	-	-	-	-
	$ 155	$ 77	$ 46	$ 278	$ 96
Net Book Value at March 31, 2011	$ 742	$ 418	$ 87	$ 1,247	
Net Book Value at March 31, 2010	$ 826	$ 318	$ 113		$ 1,257

[1] Historical cost includes work-in-progress at March 31, 2011 totaling $166 comprised of computer software. This has not been amortized during the period.

Note 5 Unearned Revenue

(in thousands)

As at March 31, 2009 the ALMA assumed responsibility for the majority of assets and liabilities under the terms of two separate Assignment, Novation and Transfer Agreements with the Alberta Livestock Industry Development Fund (ALIDF) and the Diversified Livestock Fund of Alberta (DLFOA). The transfer includes restricted fund obligations assumed by the ALMA which are recorded as Unearned Revenue. Details for each fund and the status of these obligations are as follows:

	2011			2010
	Contractual Obligations	Other Unearned Revenue	Total	Total
ALIDF Fund 1 - 2001 Industry Development Initiative	$ 20	$ 47	$ 67	$ 57
ALIDF Fund 2 - 2004 Post BSE Commercialization and Development	1,065	2,030	3,095	5,507
ALIDF Fund 3 - 2006 Research and Development Initiative	625	140	765	2,165
ALIDF Fund 4 - 2007 Bluetongue and Anaplasmosis	111	11	122	237
ALIDF Fund 5 - 2008 Competitiveness Initiative	-	4	4	4
ALIDF Fund 6 - 2008 Agriculture Environmental Initiative	97	7	104	203
ALIDF Fund 7 - 2008 Enhanced Livestock and Meat Sector Initiative	554	1,133	1,687	2,240
DLFOA Fund 1 - 2001 Diversified Livestock Initiative	-	30	30	30
DLFOA Fund 2 - 2005 Diversified Livestock Initiative	-	22	22	22
DLFOA Fund 3 - 2006 Development Initiatives	4	106	110	108
DLFOA Fund 5 - 2008 Diversified Livestock Research and Development	212	3,307	3,519	3,580
	$ 2,688	$ 6,837	$ 9,525	$ 14,153

Note 6 Contractual Obligations

(in thousands)

Contractual obligations are obligations of the ALMA to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2011	2010
Obligations:		
Operating leases	$ 2,316	$ 3,141
Contracts	371	507
Programs	21,391	17,258
	$ 24,078	$ 20,906

Program obligations consist of obligations to disburse funds in accordance with the terms specified in the grant agreements with various applicants as approved by the respective Boards of the ALIDF ($2,471) and the DLFOA ($216). In addition, the ALMA has obligations resulting from new grant agreements approved by the ALMA Board of Directors ($18,704).

Note 6 Contractual Obligations – continued

Estimated payment requirements for this and the next five years are as follows:

	Operating Leases	Contracts	Programs	Total
2011-12	$ 731	$ 371	$ 18,028	$ 19,130
2012-13	731	-	2,319	3,050
2013-14	731	-	826	1,557
2014-15	123	-	218	341
2015-16	-	-	-	-
	$ 2,316	$ 371	$ 21,391	$ 24,078

Note 7 Benefit Plans

(in thousands)

The ALMA participates in the multi-employer pension plans: Management Employees Pension Plan and Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $272 for the year ended March 31, 2011 (2010 - $217).

At December 31, 2010, the Management Employees Pension Plan reported a deficiency of $397,087 (2009 – deficiency $483,199) and the Public Service Pension Plan reported a deficiency of $2,067,151 (2009 - deficiency $1,729,196). At December 31, 2010, the Supplementary Retirement Plan for Public Service Managers had a deficiency of $39,559 (2009 – deficiency $39,516).

Note 8 Comparative Figures

Certain 2010 figures have been reclassified to conform to the 2011 presentation.

Schedule 1

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

SCHEDULE TO FINANCIAL STATEMENTS

EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT

YEAR ENDED MARCH 31, 2011
(in thousands)

	2011 Budget	2011 Actual	2010 Actual
Salaries, Wages and Employee Benefits	$ 6,113	$ 2,595	$ 2,554
Supplies and Services	6,221	2,768	3,506
Grants	37,549	34,040	43,764
Amortization of Tangible Capital Assets	470	182	95
Total Expenses	$ 50,353	$ 39,585	$ 49,919

Schedule 2

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

SCHEDULE OF SALARY AND BENEFITS DISCLOSURE

YEAR ENDED MARCH 31, 2011
(in thousands)

	2011				2010
	Base Salary [1]	Other Cash Benefits [2]	Other Non-Cash Benefits [3]	Total	Total
Chairman of Board [4][5]	$ 174	$ -	$ 5	$ 179	$ 156
Board Members [5]	328	-	-	$ 328	$ 520
President and Chief Executive Officer [5]	170	8	31	$ 209	$ 186

Prepared in accordance with Treasury Board Directive 12/98 as amended.

(1) Base salary includes fees for Chair and Board members and pensionable base pay for employees.

(2) Other cash benefits include an automobile allowance. There were no bonuses paid in 2011.

(3) Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships and tuition fees.

(4) The position was occupied by 2 individuals during the year.

(5) The Board consists of 12 members including the Chairman and the President and Chief Executive Officer, whose salaries are disclosed separately. Three positions were vacant for portions of the year.

Schedule 3

ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

SCHEDULE OF RELATED PARTY TRANSACTIONS

YEAR ENDED MARCH 31, 2011
(in thousands)

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements.

The ALMA and its employees paid certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

ALMA had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities	
	2011	2010	2011	2010
Revenues:				
Grants	$ 34,612	$ 34,397	$ -	$ -
Other	-	-	-	-
	$ 34,612	$ 34,397	$ -	$ -
Expenses - Directly Incurred:				
Grants	$ 2,456	$ 1,007	$ 10,571	$ 13,335
Other services	-	-	1	1
	$ 2,456	$ 1,007	$ 10,572	$ 13,336
Payable to				
Agriculture Financial Services Corporation	$ 565	$ 200	$ -	$ -
Department of Agriculture and Rural Development	1,222	489	-	-
Ministry of Advanced Education and Technology	-	-	3,977	3,696
	$ 1,787	$ 689	$ 3,977	$ 3,696
Receivable from				
Department of Agriculture and Rural Development	$ 9,615	$ 9,396	$ -	$ -
	$ 9,615	$ 9,396	$ -	$ -

Other Information
Summary of Financial Information

Year Ended March 31, 2011

Other Information — Summary of Financial Information

***Information on this page has not been audited ***

STATEMENT OF REMISSIONS, COMPROMISES AND WRITE-OFFS FOR THE YEAR ENDED MARCH 31, 2011

The following statement has been prepared pursuant to Section 23 of the *Financial Administration Act*. The statement includes all remissions, compromises and write-offs made or approved during the fiscal year.

WRITE-OFFS

Departmental accounts receivable	$ 2,283,760
Agriculture Financial Services Corporation	2,356,253
Total remissions, compromises and write-offs	**$ 4,640,013**

The following statement has been prepared pursuant to Section 75 of the *Financial Administration Act*. The statement includes all guarantees, indemnities, payments and recoveries made during the fiscal year.

STATEMENT OF GUARANTEES AND INDEMNITIES GIVEN BY PROVINCIAL CORPORATIONS FOR THE YEAR ENDED MARCH 31, 2011

Program/Borrower	Amount of Guarantee or Indemnity	Payments	Recoveries
Agriculture Financial Services Corporation	$ 1,355,000	475,000	$ 7,000
Total guarantees and indemnities given	**$ 1,355,000**	**475,000**	**$ 7,000**

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